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ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W. F. A. TURGEON
Commissioner

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ARGUMENT
J.C.McRuer, Esq.K.C.

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ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

ONE HUNDRED AND TWENTY-FIFTH DAY

(March 8th, 1937)

A R G U M E N T

Robert Brydie,
Official Reporter.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

Appearances:

J.C. McRuer, K.C. and E. Beauregard, K.C.	Commission Counsel,
A.L. Kellock, K.C.	For Primary Textile Institute.
C.G. Heward, K.C. Aime Geoffrion, K.C. and C.T. Ballantyne,	For Dominion Textile Company,
S.G. Dixon, K.C.	For Courtaulds Limited,
L.A. Forsyth, K.C.	For Canadian Celanese Ltd. and Canadian Silk Products Limited.
Thos. Tremblay, K.C. and J.H. Hebert,	For M.E. Binz Co. Ltd.
Francois Lajoie, K.C.	For Wabasso Cotton Co.

-- ooo --

Ottawa, Ontario.
Monday, March 8, 1937.

-- The Commission met at 10.30 a.m.

ARGUMENT by Mr. HEWARD (Resumed)

Mr. HEWARD: When we adjourned on Friday I was just about to deal with a computation made on page 178 of my learned friend's brief where he deals with the period prior to 1920--that is, from 1906 to 1920--and where he states, as you will find in the second paragraph that there was written off plant and machinery the sum of $9,980,032.92, in respect of plant and machinery which cost the company $12,624,302.52.

The COMMISSIONER: And he sayd that these amounts were charged to operation.

Mr. HEWARD: He makes the statement up above that certain sume enumerated were written off plant and machinery.

The COMMISSIONER: Yes, and charged to operation.

Mr. HEWARD: Yes. Now we challenge that computation on two grounds. First, as to the accuracy of certain of the figures and secondly, as to the justice of including certain figures in that computation. Our contention is that the books of the company show that they wrote off only $4,028,874.56 in the period prior to 1920 against plant and machinery which cost the company $13,425,933.76.

Mr. McRUER: Have you anything to show how that is made up ?

Mr. HEWARD: Yes, I am coming to that.

Mr. McRUER: Have you a written memorandum of it ?

Mr. HEWARD: Yes, I will give you a copy of it.

Mr. McRUER: It is extremely convenient, in cases of this sort where calculations are challenged, to have a memorandum in advance.

Mr. HEWARD: I have not a statement to file in this connection, but I shall be glad to prepare a copy of my notes for my learned friend's convenience.

Mr. McRUER: We can always answer you better if we have it in black and white before us.

Mr. HEWARD: These are my contentions in this respect, My Lord. We contend, first of all that the figures in the brief are incorrect as regards the original cost, in that they are out by $180,576.21.

The COMMISSIONER: That is in reference to the figure of $12,624,302.52.

Mr. HEWARD: Yes. The whole thing should be $13,425,933.76. They are out, as regards the original cost, by $180,576.21, and as regards the cost of additions they are out by $621,055.03. You see, My Lord, the cost of plant and machinery consists of original cost plus additions.

The COMMISSIONER: You make it $13,425,000 odd and he makes it $12,624,000 odd, and the difference between those two is the extent to which you say that his calculations are out.

Mr. HEWARD: Yes. So that the total figure he is out in the cost of plant and machinery amounts to $801,631.24.

Mr. McRUER: I do not quite follow the other figure,

where you say that we are out $600,000 odd.

Mr. HEWARD: As regards the original cost we say that you are out $180,000 odd, and the cost of additions during the period you understate by $621,000 odd.

Mr. McRUER: You say the additions should be $2,600,000 ?

Mr. HEWARD: No; the additions are all included in the figure you give of $12,624,000.

Mr. McRUER: The statement in my brief is:

"That during that period the total amount of additions capitalized, excluding the purchase of the Mount Royal mill, which was not taken over until the year 1920, were less than $2,000,000."

Mr. HEWARD: We say that the additions are out by $621,055.03.

Mr. McRUER: Our figures are net; our $2,000,000 figure is a net figure.

Mr. GLASSCO: I discussed the matter with Mr. Howson, and I may say that our figure includes additions which were in fact new assets purchased, but they were written off the direct.

Mr. McRUER: But ours being a net figure there is no difference between us. If you take additions and then write them off you must arrive back at the same place that we did.

Mr. HEWARD: I am coming back to that.

Mr. McRUER: Then apparently we are agreed on the figure.

Mr. HEWARD: No, not quite. Our next criticism is that the first item of write-off which is referable to profits and loss account directly, $3,067,065.33, should be $1,161,716.58.

Mr. McRUER: Why do you say that ?

Mr. HEWARD: I believe Mr. Glassco has taken that up in detail with Mr. Howson and he has given the reason for it.

Mr. McRUER: Apparently this is the figure they showed in their statement to Mr. Howson as written off the profit and loss.

Mr. HEWARD: I am instructed that for this period the questionnaire was filled out by Mr. Howson's own staff who came and looked at our books, and they must have misinterpreted it.

Mr. HOWSON: No, that is in connection with the previous statement that was given.

Mr. WEBSTER: We did not give any statement from 1905 to 1920.

Mr. HOWSON: You gave us a statement from 1905 to 1936.

Mr. McRUER: We need not have any dispute about it; we will get the sheets out. We say one thing, and one of these other gentlemen says something else. We had better find out who is right.

Mr. HEWARD: Perhaps I might be allowed to get through with my criticisms of the account and then you can check them up.

Mr. McRUER: We cannot agree on something that we

do not understand.

The COMMISSIONER: You had better make sure, because there seems to be a difference of some $2,000,000.

Mr. McRUER: The statement I hold in my hand here was prepared by the Dominion Textile Company. Is there any doubt about that ? It starts at 1905.

Mr. WEBSTER: That statement was not prepared for the commission.

Mr. McRUER: Am I right in stating that the statement was prepared by the Dominion Textile Company's staff ?

Mr. WEBSTER: It was prepared by the Dominion Textile Company's staff prior to the commission.

Mr. McRUER: What difference does it make when it was prepared ? Is it any less accurate because it was prepared for some other purpose ?

Mr. WEBSTER: We realized that it was inaccurate after we made it.

Mr. McRUER: You prepared it and gave it to Mr. Howson.

Mr. WEBSTER: We discussed it with Mr. Howson.

Mr. McRUER: We need not quibble. You handed it to Mr. Howson, and you say the statement was prepared by the Dominion Textile Company's staff. You handed it to Mr. Howson and he worked on it and now you come back and make a different statement.

Mr. HEWARD: I believe the explanation is that Mr. Howson has probably misunderstood these figures. I want to go on to show how the whole thing is made up

because there may be some reconciliation when I show some of the things that may be added back.

Mr. McRUER: I want to be clear on this. You say that the statement which Mr. Howson's staff prepared is not accurate?

Mr. HEWARD: I am instructed that he prepared the figures from 1905 to 1920 on the commission's forms.

Mr. HOWSON: In conjunction with the company's staff; and as far as we could determine, they checked up with this statement which had already been supplied to us.

The COMMISSIONER: What are the right figures ?

Mr. HOWSON: On subsequent analysis of the accounts Mr. Glassco has given me further information which would indicate that some of the items charged to profit and loss here were not charged to profit and loss but charged to a reserve account which was set up later on in the adjustment of the books when they were completing the entries.

The COMMISSIONER: Do you agree that this figure should be brought down to what Mr. Heward says ?

Mr. HOWSON: The $563,000 is charged to reserve account and there is another item of $791,000 that should come out of the $3,067,000 and that would be about $1,300,000.

The COMMISSIONER: Mr. Heward shows a difference of nearly $2,000,000.

Mr. HEWARD: But I am not through yet, My Lord; I have to add some back.

The COMMISSIONER: You are adding certain things back to profit and loss account.

Mr. HEWARD: I am saying that there should be added to the amounts which were written off certain amounts which my learned friend in his computation does not include. The next item of depreciation account, $2,059,237.60, is correct, and the third item, the reserves taken over from the old company, $563,479.86, is, I am instructed, entirely inaccurate. That item should be nil.

The COMMISSIONER: Nil ?

Mr. HEWARD: Yes.

Mr. HOWSON: That is part of the $1,300,000.

The COMMISSIONER: Had you not better both go over these figures and see whether there is anything you can agree upon ? Cannot Mr. Howson and Mr. Glassco agree on the right figures ?

Mr. HOWSON: I should think so.

The COMMISSIONER: Then don't let us waste time on this. I cannot carry all these things in my head.

Mr. McRUER: If there are any errors in this due to the fact that the proper statements were not put before Mr. Howson, then I suggest we had better have the figures corrected.

Mr. HEWARD: That would save time.

Mr. GLASSCO: We are in substantial agreement on the figures except as regards repairs and betterments, which is a matter of principle.

The COMMISSIONER: Then you had better get together.

Mr. HEWARD: If we can come to an agreement on the facts Mr. McRuer and I can tussle with the principle.

The COMMISSIONER: Go on to the next point.

Mr. HEWARD: The next point is this. I wish to look at the arguments based on the 1936 appraisal from still another point of view, the 1936 appraisal being the insurance appraisal. I submit that the only ground on which commission counsel's argument, based on that appraisal as contained, for example, in page 8 of Exhibit 917--the only ground on which that argument can succeed, is in the event of the replacement value new--

The COMMISSIONER: What page ?

Mr. HEWARD: Page 8; that is where my learned friend in the exhibit gets at the figure which he alleges is secret profits resulting from depreciation, etc., by deducting the unabsorbed portion of total fixed assets from the insurance appraisal.

The COMMISSIONER: That is the summary of capital expenditures ?

Mr. HEWARD: Yes, My Lord, and he uses it on page 7 to establish the $17,265,728.17 as being the secret profits that we have made from over-depreciation, which we most strenuously contest. I say that the only ground on which that can succeed is if the replacement value new, in 1936, of all the companies' fixed assets were exactly equal to the original cost. If it were true that the replacement value new of the company's fixed assets in 1936 were equal to their

original cost, then the company should have provided depreciation from 1905 to 1936 only in the amount necessary to reduce the cost, which was $28,849,648.57 to the depreciated value, as per 1936 appraisal, namely $22,183,633., a total of $6,666,015.57 in thirty-one years, or an average of $215,032 per annum. Now if we apply this amount of $215,032 to the average cost of the depreciable assets, that is excluding from fixed assets the land, it would represent a rate of 1.36 per cent per annum, assuming an average useful life for all depreciable fixed assets of some seventy-five years--and in this connection it should be borne in mind that machinery represents about seventy-five per cent of the value of the fixed assets.

Mr. McRUER: That is, if you do not replace it out of profits.

Mr. HOWARD: I will deal with that, too, in a moment. It is quite evident therefore that the replacement value new is considerably greater than the original cost, and that the values in plant, which Commission Counsel contends represent hidden profits resulting from over-depreciation, are not the result of hidden profits but of natural increase in values of machinery and buildings. Now the company in fact provided an annual average depreciation of $661,761 over the thirty-one year period, and that average includes the charges of betterments to repairs, which were included in the early years in place of depreciation. You will remember My Lord, that they did not have a fixed depreciation

policy up to 1918, so that that $661,761 includes these figures as well as the regular depreciation which was written off after 1918. That figure of $661,000 odd is at the rate of 4.24 per cent per annum, and therefore assumes an average useful life of some twenty-four years.

Mr. McRUER: That is of buildings and machinery both ?

Mr. HEWARD: Yes.

Mr. McRUER: But under the income tax regulations they allow you only 2 1-2 per cent on buildings ?

Mr. HEWARD: Some buildings.

Mr. McRUER: That gives you, therefore, with your column for repairs, betterments, etc., about 6 1-2 per cent on your machinery.

Mr. HEWARD: Oh no, I do not think so. At any rate I am going to deal with the amount including all those things which you say are repairs. I will discuss that a little later on. The income tax department, under date July 19, 1933, issued a ruling as to rates of depreciation and quoted maximum rates which are allowed in arriving at profits. For frame buildings the annual rate is 5 per cent, which assumes a useful life of twenty years; for brick, stone, or brick veneer, the rate is 2 1-2 per cent, and that assumes an equivalent life of forty years; and for reinforced concrete, the rate is 2 per cent; which assumes an equivalent life of fifty years. Then when we come to machinery, plant, etc., the annual

rate permitted is 10 per cent.

Mr. McRUER: That is the maximum rate.

Mr. HEWARD: That 10 per cent assumes an equivalent useful life of ten years.

Mr. McRUER: We have evidence that the average life of these machines is forty years.

Mr. HEWARD: I do not think so.

Mr. McRUER: Yes, that appears in their own statements, in the minutes.

Mr. HEWARD: I do not think so.

Mr. McRUER: It is there. If you are telling the shareholders things that are not true, we cannot help it.

Mr. HEWARD: Not the average life.

Mr. McRUER: That is what they say.

Mr. HEWARD: Applying these rates to the average cost, the company would have been permitted, under the Income Tax Department's rulings to provide an amount of $1,200,000, representing an average life of thirteen years.

The COMMISSIONER: That is on buildings and machinery?

Mr. HEWARD: Yes, and that is almost double what was in fact provided.

Mr. McRUER: That is if you allow the maximum.

The COMMISSIONER: The only question of a sliding scale is in connection with the machinery and plant, and in the other cases it is fixed.

Mr. HEWARD: No, they are maximum rates all the way through. Now, if the company had charged depreciation

on the basis of the values indicated by the 1920 appraisal, which they did not do--

The COMMISSIONER: When you give the $1,200,000 you are taking these maximum rates ?

Mr. HEWARD: Yes.

The COMMISSIONER: What do you do as a matter of fact ? Do you have to have an agreement every year with the authorities ?

Mr. GORDON: It is established at 2 1-2 for buildings and 6 per cent for machinery, and it has been that way ever since I have been there.

The COMMISSIONER: There are no frame buildings in your case ?

Mr. GORDON: Such a small percentage of frame that it does not make a difference.

The COMMISSIONER: Two and a half per cent on buildings and 6 per cent on machinery are your established rates ?

Mr. GORDON: Yes.

Mr. HEWARD: These depreciation percentages which we write off are written off on the cost and not on the written up value, and if a competitor bought our fixed assets at their written up value he would be allowed by the department to write off depreciation on the amount which he paid for them, the original value.

The COMMISSIONER: That would be his cost ?

Mr. HEWARD: That would be his cost, yes; and under these circumstances the provision permissible

for tax purposes would be $2,350,000. In this connection I have prepared a small table, copies of which I have. My learned friend takes me to task for not giving him figures, but I have anticipated his complaint and have prepared these copies.

Mr. McRUER: It is most unfair to set it up in this way. It appears from this that the average annual cost, based on Mr. Howson's exhibit No. 917, is $215,032. It must be clear by this time that our allocations are not based upon this at all; we are taking the whole of the appropriations for repairs, betterments, obsolescence and all these things together when we say that there has been over-depreciation. And they have said so themselves. You take the equivalent life as seventy-three years, but that is not the case at all. If you are repairing and putting it back in proper shape, then the depreciation that has been taken has no relation whatever to the probable life of the machine.

Mr. HEWARD: I contest that very seriously, and I will address myself to that argument in a few moments.

The COMMISSIONER: This is not an exhibit.

Mr. HEWARD: In Exhibit 917, that is what he shows our average annual charge was .

The COMMISSIONER: Where does he show that ?

Mr. HEWARD: That is the difference between the cost and the $22,000,000 spread over the life of the buildings.

(17782 follows)

THE COMMISSIONER: $22,483,000?

MR. HEWARD: Yes, my lord, depreciable assets. So this is really a summary of what I have been saying before, that if we charged depreciation of $215,032, which was what Mr. Howson would allow, it would be equivalent to a life of 73 years, and that the provision actually made --

MR. McRUER: Now, that is a very unfair statement, what Mr. Howson would allow. Mr. Howson is not allowing any depreciation or anything else. We have the fact here of what the depreciation was in conjunction with the repairs that were taken.

MR. HEWARD: Let us go to the next one. I say the provision actually made was $661,761, and that assumes a useful life, an average life of 24 years, and that the maximum which was permissible for tax purposes was $1,200,952, which assumes an average life of 13 years. Then, I go on.

THE COMMISSIONER: Well, the maximum permissible, that is on the rate of 10%.

MR. HEWARD: Yes, on the rates of 5%, 2½, 2 and 10%.

MR. McRUER: That is not the maximum permissible or they would have permitted it.

THE COMMISSIONER: It is not permissible in your case.

MR. HEWARD: Not to us; they permitted us 6%.

MR. GORDON: We didn't want any more.

MR. HEWARD: We didn't ask for any more. We

didn't want to write off our depreciation in a shorter period.

MR. McRUER: They would not have any profits for the shareholders, I suppose.

THE COMMISSIONER: How do you know you would have been allowed 10%, or are you permitted that?

MR. HEWARD: I am instructed they never refuse 10% on machinery.

MR. McRUER: How absurd that would be, to allow them to write off at the equivalent of 13 years. As shown by the evidence and their own statement, at page 5949 of the evidence, they said that the average life of a card is from 30 to 40 years.

MR. HEWARD: That is a card. That is one card.

MR. GORDON: You have got to take the average of all machines.

MR. HEWARD: We contend our actual life -- that the basis on which we have written off is 24 years, the average life; that is what we have been writing depreciation at, my lord.

THE COMMISSIONER: That is your 6%.

MR. HEWARD: That is 6% for machinery and 2½% for buildings. Now, however, were a competitor writing off after he had bought our assets, and he wrote off at the maximum permitted by the Income Tax Department --

THE COMMISSIONER: That is, after he bought them at your values.

MR. HEWARD: After he bought them at our values, at our written off values.

THE COMMISSIONER: In other words, if you

were writing off on your values and not on your cost.

MR. HEWARD: The competitor would have been entitled to write off $2,350,000, which assumes an average life of 13 years -- no, it would take 13 years at that rate to extinguish the asset.

Now, my lord, at page 252 of Commission Counsel's brief there is found a table setting out in detail the amount charged to operations for depreciation, repairs and betterments and thereby deducted from profits and hence included in costs, and referring on page 251 to that table the brief suggests that the repairs charged for included betterments which should have been capitalized with the resultant under-statement of profits. Now, that conclusion my learned friend seeks to draw from variations in the table which is given on page 252. For example, on page 256 attention is called to the fact that in 1917 nearly four times as much was charged against operations for repairs as in the year 1916, and that this was again increased in 1918 to $560,500 charged against operations for repairs. However, it must be remembered, my lord, that the two years in question were War years in which, as stated in reports of the directors at that time, the operations were very much above normal due to the fact that the company was operating --

THE COMMISSIONER: There was greater wear and tear.

MR. HEWARD: With greater necessity for repairs and greater necessity for depreciation, greater de-

preciation. The operations were very much above normal.

THE COMMISSIONER: To what extent were they above normal? You mean they worked nights, or what do you mean by above normal?

MR. McRUER: How many more hands were employed in those years?

THE COMMISSIONER: Is it a case of the number of hours you worked?

MR. HEWARD: The number of hours we worked and the amount of production gotten off; chiefly the extra hours we worked.

MR. McRUER: 1921, for instance, was not a War year, and it was higher than it was in either of those two years. 1922 was not a War year --

MR. HEWARD: We had a new mill at that time.

MR. McRUER: That new mill, would that require --

MR. HEWARD: It was not bought new; it was an additional mill.

MR. McRUER: -- about six times -- no,-- yes, about six times over what there was in 1917; did the new mill require six times as much of an increase in repairs? That was not a War year. That was supposed to be a depression year.

MR. HEWARD: After our heavy operations were over we really got a chance to repair the machinery.

THE COMMISSIONER: You spent a lot of money repairing them during the War.

MR. HEWARD: At the latter part, but it was not excessive, I submit.

THE COMMISSIONER: You were explaining why you thought you had so much in 1917, for instance, over 1916. It was $412,000 in 1917 as against $108,000 in 1916, or have I got the wrong column?

MR. HEWARD: That is the right column.

THE COMMISSIONER: That was during the War. You just began by saying you jumped from $108,000 to $412,000 on account of the wear and tear occasioned by the extra War work, and then the same thing in 1918, $560,000. Now you say in 1921 that is the first chance you had to sit down and do your repairs.

MR. HEWARD: We had a greater chance then. We could not do all of them.

MR. McRUER: That is precisely my argument. They were replacing their plant after the War was over; they had made their War profits and were replacing their plant in the following years.

MR. HEWARD: I think that is an unfair inference.

MR. McRUER: That is what you say. Mr. Gordon just stated that is the first chance we had to repair our machinery.

MR. HEWARD: Because they were operating all the time. I think, my lord, on general principles it should be borne in mind the fact that variations from year to year in the amounts of the repairs do not necessarily mean that in the years in which the larger figures appear amounts have been charged to operations which should have been capitalized. Repairs which may have been accumulating for a considerable length of time may be carried out in a particular year,

and the expenditures for repairs in that year will rise accordingly. For instance, if you take a very simple example; if a man paints his house every four years, and if he keeps books of account his repair account in the fourth year will be very very high as compared with the other three years, but that does not mean that that painting should be charged to capital, if he was operating --

THE COMMISSIONER: That is quite right, but you have a long run, though, of high years there beginning in 1917.

MR. HEWARD: You remember, my lord, in 1921 we took in an extra plant, which was not a new plant. I mean the machinery was not new.

MR. McRUER: How much did you pay for that plant? What relation did it bear to the total investment in plant?

THE COMMISSIONER: That is the Dominion Cotton Company?

MR. HEWARD: It was Dominion Cotton Mills --

MR. GORDON: No, Dominion Cotton Company.

MR. WEBSTER: $2,375,000, the Mount Royal Mill.

MR. McRUER: The Mount Royal Mill was operated since 1910 and you were responsible for the repairs in the mill, weren't you?

MR. WEBSTER: Yes.

MR. McRUER: That does not increase your repair account. You have a lot of excuses.

MR. WEBSTER: It increased the depreciation.

MR. McRUER: That is not the column we are talking

about.

MR. HEWARD: Then, there was the Dominion Cotton Company, which was the Verdun plant purchased from the Government, and where new machinery was purchased and put in in 1920. Now, my lord --

THE COMMISSIONER: New machinery, you say?

MR. HEWARD: Well, it was all new. The building was purchased from the government. It was a shell plant, was it -- no, a fuse assembly plant and the building was purchased from the Government in 1920 by Dominion Cotton Company and leased to Dominion Textiles.

MR. McRUER: That would not account for the increase in repairs in 1921 of $100,000 and the increase in the next year of $130,000, $200,000. They were putting in new machinery.

MR. HEWARD: You cannot argue from variations in the amounts from year to year; that is my submission. Then, my lord, throughout the brief my learned friend --

THE COMMISSIONER: Have you ever told me -- I do not remember that you have already mentioned this; why did you start that new column in 1927, charges to operations for equipment; that is the first time.

MR. HEWARD: Prior to that in certain of the mills -- I was just coming to that -- the charges for operations for equipment were not kept separate in all the mills until the year 1927, and previous to that time --

THE COMMISSIONER: What were they included with?

MR. HEWARD: Previous to the time when equipment

was shown separately it was included in repairs account. Now, in that connection I think I should point out, my lord.

THE COMMISSIONER: If you had kept on then, if you had kept on after 1927 in your old way your charges to operations for repairs would have been greater then each year by these amounts?

MR. HEWARD: Repairs and supplies, to some extent.

MR. McRUER: May I just point out, my friend is seeking to make a case of the increase from $108,000 in 1916 to $412,000 in 1917 because of the manner in which the plant was run, high pressure under which it was running. Now, the statement of the shareholders in May, 1917, that would be for the fiscal year ending the 31st of March, 1917, which would cover the figure of $108,000 expenditure for that year --

MR. HEWARD: No, $412,000.

MR. McRuer: No.

MR. HEWARD: I beg your pardon.

MR. McRUER: Oh, $412,000, yes.

MR. HEWARD: These are fiscal years.

MR. McRUER: At any rate, it does not cover 1918, but it states:"As usual all the mills of the company have been maintained in first class condition". Now, that would not indicate they got run down and that they had to make a lot of repairs afterwards.

MR. HEWARD: A little later you will find, a little later, about 1920 -- I will look up the reference-

you will find they do refer to the fact that there was considerable wear and tear on the machinery during the War years. The directors themselves refer to that, but we were dealing, my lord, with equipment, and what I think should be clearly borne in mind that charges for equipment are not charges for machinery or permanent installations. They are for consumable equipment which are more in the nature of supplies such as bobbins, spools, shuttles, belting --

THE COMMISSIONER: I know, but you were buying all those things previously and charging them to repairs.

MR. HEWARD: Yes, my lord, to repairs and supplies.

THE COMMISSIONER: Where are your supplies? I am looking at this column here; where are they?

MR. HEWARD: My learned friend does not include supplies in this.

THE COMMISSIONER: There is another column for supplies?

MR. HEWARD: Supplies such as oil; in our books in the early years the account was repairs and supplies, repairs and supplies.

MR. McRUER: You had supplies that you charged to supplies, too, in these years. Do not let us get under the impression that supplies are included in these charges for equipment.

MR. HEWARD: Oh no, except that I say this equipment is in the nature of supplies.

MR. McRUER: You had supplies charged which we have not put in here, but it was extra.

MR. HEWARD: But we call it equipment, and here I think, my lord, is as useful an analogy as I could give. If I have a safety razor, and I am operating as a business, if I have a safety razor I think it is fair to charge that safety razor as my plant, but the blades for the safety razor I think are what are called equipment here, and are proper charges to operations because they are quickly consumable. They may last longer if you keep them sharpened and in good condition, but they are consumed.

THE COMMISSIONER: I asked you a while ago about the opening up of this new column. You said that formerly these things were charged to repairs?

MR. HEWARD: I am instructed that account in the early days was repairs and supplies. I am sorry, my lord, I am not sure as to that.

MR. McRUER: Mr. Howson's memorandum is they were charged prior to 1922 to supplies.

THE COMMISSIONER: To supplies.

MR. McRUER: Not repairs.

THE COMMISSIONER: Why, in this sheet, are they beginning to be shown only in 1927?

MR. HOWSON: Because that is the first year we can allocate them. Prior to that time we could not allocate them because they were under the general heading of supplies.

MR. HEWARD: At some mills.

THE COMMISSIONER: Then they are not repairs at all then?

MR. HEWARD: No.

THE COMMISSIONER: You said a while ago they were formerly included in repairs and supplies.

MR. HEWARD: I am apparently in error there. Mr. Howson says they were charged to supplies. I thought they were charged to repairs. In either case they were charged to operations. I mean they were charged against operations.

THE COMMISSIONER: They are not an additional figure to the column of repairs?

MR. HEWARD: That is what I am trying to definitize now as to just where they were. I thought they were charged to repairs.

THE COMMISSIONER: Take that first year, 1927. According to your first statement you would add $250,000 to the $716,000 making a real repair account of $966,000. That is not what you mean then?

MR. HEWARD: Mr. Howson now says they were charged to supplies. I thought they were charged to repairs.

THE COMMISSIONER: That they were not in those repairs; they were elsewhere?

MR. HEWARD: They were elsewhere; is that right? Mr. Davies confirms Mr. Howson's statement in that regard. They were in supplies. Now, my lord, in dealing with the question --

THE COMMISSIONER: Is there any question about them being a proper charge to operations?

MR. McRUER: I contend that they are not a proper charge to operations. For instance, according to the items, card clothing, estimated life 10 to

20 years, normal life 10 to 15 years.

THE COMMISSIONER: What do you call that?

MR. McRUER: Card clothing.

THE COMMISSIONER: What does that mean?

MR. GORDON: That is the wire that is put on the cards to do the work.

MR. McRUER: Reeds, estimated life 5 to 15 years, normal life 10 years. Skewers, estimated life, 3 to 20 years, normal life 3 years. Roving cans, estimated life 4 to 20 years, normal life 10 years. Bobbins, estimated life 3 to 25 years, normal life 5 years. Spools, estimated life 6 to 20 years, normal life 6 to 10 years. Heddles, estimated life 5 to 20 years, normal life 5 to 6 years. Roving trucks, that is factory trucks, estimated life 15 to 25 years, normal life 10 to 15 years. I don't see why a truck --

MR. HEWARD: You know what kind of a truck that is.

MR. GORDON: It is not an automobile; it is just a box on wheels.

MR. HEWARD: It is like a box on wheels.

MR. McRUER: Why is that a supply any more than my office desk? Fitting boxes, estimated life one to 10 years, normal life two to three. Knotters, estimated life 7 to 20 years. Shuttles, six months to a year, normal life 6 to 8 months. The point, we contend, is this; if you set up a factory all these are charges to capital account when you start the factory. Then, there are replacements as

you go along putting back what was there after it is worn out. It is not in the nature of a normal repair but something which depreciation takes care of. Then, if you take care of it in these items and then depreciate it as they have done here --

MR. HEWARD: Oh no, there is no depreciation.

MR. McRUER: No, but you depreciate your plant.

MR. HEWARD: We do not depreciate these items at all, oh no; you cannot depreciate. They have charged them up to operations.

MR. McRUER: Well, you mean --

THE COMMISSIONER: The point is are they not part of your original cost? You talk about your cost of the plant. Did they not enter into it?

MR. HEWARD: They would if you are starting up a new mill, but we didn't.

MR. McRUER: They are cost of plant, they are cost some place, the original cost of the plant, but our point is replacing these things out of profit and then on top of it charging depreciation, and that is what has put the mill in the position that it is.

MR. HEWARD: Mr. McRuer is quite wrong there. We do not charge any depreciation on these things at all.

MR. McRUER: I don't know what you charge depreciation on or how you work that. What I do care is your plant is valued in 1936 at a certain figure and on your books it is at another figure, and these are the gentlemen that have valued the plant. If your

plant was being burned that is taken into consideration.

MR. HEWARD: Let me see; my learned friend has not read out the various items which are consumable in six months and sometimes in nine months.

THE COMMISSIONER: He read out shuttles.

MR. HEWARD: Pardon me, he read shuttles. Let us assume, for instance, on all these things he read out we do not see a normal life of higher than 10 years, as I remember. Let us assume that as some of the normal lives were lower that the average normal life is say -- this is the purest guess -- seven years. I do not pretend that is anything like a mathematical computation, that it is seven years. We are looking at a period of 31 years. Now, therefore there are two alternatives. My learned friend says we should put this into plant and then write them down by depreciation --

THE COMMISSIONER: I think he says you have done that.

MR. HEWARD: No, we haven't, my lord.

MR. McRUER: That is precisely what I say; taking altogether these charges, charges to repairs, charges to depreciation and the charges for operations and then all your other labour charges which we cannot catch because they are hidden away --

MR. HEWARD: I am coming to that in a moment.

MR. McRUER: We say the whole thing taken together.

MR. HEWARD: Let us not get away from the point. It is equipment, supplies or equipment, call them what you loke. If we do not charge them

to operations when we buy them then we must charge them to capital. That is obvious. There are only two accounts, to one of which they can be charged, either of two accounts. If we charge them to capital we must write them off in their useful life; if that useful life is seven years then as we are looking at a 15 year period it does not make any difference whether we have originally charged them to capital and then written them off for seven years or whether we charged to profits which were there, when we are looking at the whole term. It might make a difference for one particular yaer but for the whole term it makes no difference.

MR. McRUER: As long as you don't do it twice.

MR. HEWARD: Do you follow me, my lord?

THE COMMISSIONER: I see your point, so long as there is not any duplication.

MR. HEWARD: So long as there is no duplication. I am instructed there has never been any depreciation charged for this equipment.

MR. McRUER: My friend cannot say that now because their books do not show how their depreciation is made up. They just charge so much for depreciation. They do not depreciate this machine and that machine, and this bobbin and that bobbin and my friend cannot say no depreciation is charged for this equipment. He misunderstands his instructions.

MR. HEWARD: The Income Tax Department won't let anyone depreciate anything that is not capitalized on their books, and our depreciation, I am instructed,

checks out exactly with the Income Tax Department.

Now, I think I would like to get one point, my lord, which seems to me to answer a great many of my friend's objections in regard to these charges for repairs and equipment and depreciation at which my friend seems to throw up his hands.

MR. McRUER: I haven't thrown up my hands about anything yet.

MR. HEWARD: In alarm, or not alarm, in amazement; not in surrender, but in amazement, in horror.

MR. McRUER: That is better. That is still better.

MR. HEWARD: I don't think you are saying you do not throw up your hands in horror at these alleged large charges to operations for reserves, and depreciated or obsolescent plant and charges to operations for depreciation and so forth. . Now, on page 252, the one we have just been looking at the amounts charged to operations for depreciation, repairs, betterments and equipment for the years 1906 to 1936 are given, all of them. The total amount shown by those charges is $38,065,816.39.

THE COMMISSIONER: That total is not given here.

MR. HEWARD: No, my lord, but it is the total of the four columns.

THE COMMISSIONER: Nobody has ever questioned your first column as far as I can remember. Charges to operations and reserves for depreciated or obsolescent plant.

MR. HEWARD: That is what we did in the old days instead of depreciation. We have raised a question,

I understand, about one item, but it is not material to this particular argument, my lord.

THE COMMISSIONER: What is that total you arrive at?

MR. HEWARD: $38,065,816.39. Now, my lord, the average total cost value of machinery and buildings, land excluded, for each year during that 31 year period was $15,740,428, and the average annual charges for depreciation, repairs, betterments and equipment, that is to say, everything in that category, including everything that is properly chargeable to repairs --

THE COMMISSIONER: You say for depreciation?

MR. HEWARD: Depreciation, the whole page, all the charges on that page, my lord.

THE COMMISSIONER: Including that first column?

MR. HEWARD: Yes. When you work out the average annual charges, that is, dividing the $38,000,000 odd by 31 years, when you work that out it works out at only 7.8% of the average cost value of the assets in question, and I submit that is remarkably low particularly when the delicate nature of cotton machinery is taken into consideration.

THE COMMISSIONER: 7.8%?

MR. HEWARD: 7.8%.

THE COMMISSIONER: Of what?

MR. HEWARD: Of the average cost value, the average annual cost value.

THE COMMISSIONER: That is $15,740,000.

MR. HEWARD: Yes. It works out at 7.8%. So that all these remarkable figures that we have been

faced with including everything which is properly chargeable to operations, and all depreciation, even if there was depreciation that was in excess, which we do not admit, but all depreciation, every figure given on that page works out at 7.8% of the average annual cost.

MR. McRUER: That would bring you about 10% on machinery.

MR. HEWARD: I don't think so because machinery is 75%; that is repairs and everything else.

MR. McRUER: You are throwing the period from 1906 to 1918 in with the subsequent years.

MR. HEWARD: The whole 31 years.

MR. McRUER: You cannot very well average it that way and know exactly what was done.

MR. HEWARD: Now, my lord, we have also been criticized for the amounts charged for depreciation, variations in the amounts from year to year, and my learned friend says that the amounts charged for depreciation appear to be regulated by the amount of profits that the company earned rather than any policy of determining the amount required for depreciation. I submit that criticism is hardly well founded because in a manufacturing business provision for depreciation in the same way as repairs is frequently larger when a large volume results in large profits and smaller when a small volume results in small profits, and this is natural, because when mills are working shorter hours with consequent smaller profits depreciation or wastage of plant

suffered is less. The soundness of this view has been recognized by the Income Tax Department which, in January, 1929, issued a ruling reading as follows:

"The Department has been giving consideration to the question of depreciation in periods in which the taxpayer has no taxable income. It has found in many cases a taxpayer's operations have not resulted in profit owing to the fact that his plant has not been employed to the utmost of its capacity, and in such cases it can be deduced that the plant has not suffered depreciation to the same extent as when operated at the maximum".

I am instructed that the practice of the Income Tax Department, as a result of this ruling, is to assume in cases of taxpayers who have had no taxable profits that only 50% of the normal depreciation has accrued.

MR. McRUER: That would mean when prices were up you had less depreciation than when they were down. I would have thought that probably you would put through more.

MR. HEWARD: It has nothing to do with price. It has to do with volume of operations.

THE COMMISSIONER: Well, we will adjourn for a few minutes.

-- The Commission adjourned for a short recess.

(page 17802 follows)

-- After recess:

MR. HEWARD: My lord, I want to deal now with the point that my friend has brought up in his argument several times and referred to to-day, namely, that large sums having been spent for repairs and maintenance, as he alleges the need for depreciation had so lessened as to make our depreciation excessive. In other words, the depreciation had been avoided by maintaining the plants in good condition, and I submit with that we are being led into a very old fallacy, namely, that proper maintenance avoids the necessity for depreciation. Depreciation rates are properly set, I submit, ---

THE COMMISSIONER: When you talk of maintenance, you mean repairs?

MR. HEWARD: Repairs, my lord. That if we keep our plant well repaired we should not have to depreciate them. The depreciation rates are properly set on a basis which will extinguish the cost of the fixed assets over their useful life if they are properly cared for. That is, the whole science, it seems to me of depreciation charges. Everybody knows that no matter how much you repair an asset it is going to finally wear out, like the one horse "shay" some time and the ideal depreciation is to calculate how much should be written off each year so that at the end of the useful life, if properly cared for, all your costs will be extinguished.

THE COMMISSIONER: You mean to say like you paint a frame house, etc. as you go along and that keeps it living.

MR. HEWARD: Yes, but your frame house is depreciating all the time.

THE COMMISSIONER: It would go much quicker if you did nothing to it.

MR. HEWARD: That is the point I am coming to. If maintenance is neglected the life is shortened. It could be argued that proper repair, as somebody has said, will arrest the steady mark of fixed assets to the grave. Depreciation takes place inexorably and the only bearing repairing may have on the question is the determination of the depreciation rate, or, in other words, what is to be the useful life of the assets. I therefore suggest that the Dominion Textile Company, because it kept its plants in good repair, did not need to provide depreciation and that the provision of depreciation constituted therefore an improper or excessive charge against operations is entirely untenable, particularly when we view the figures I have just given to your lordship. The total of all the depreciation and all the charges for repairs and all the charges for maintenance and all the charges for equipment, which we say are properly charged to operations - all those things only total 7.8% of the average annual value of the depreciable assets - the cost value I mean.

Now, there are just one or two small points of criticism in my friend's Brief that I want to take up, my lord, because I think there has been some misunderstanding about them. On page 180 of Commission Counsel's Brief is to be found a criticism of Mr. Glassco for having treated as a loss in 1933, $614,683.36, resulting from the transfer of $1,000,000 from surplus to investment account to cover losses that had been made on investments by the Company, and I submit that that treatment is justifiable.

THE COMMISSIONER: What does he say? Mr. McRuer says:

> "In addition to this, Mr. Glassco, in his statement, has claimed a loss for 1933 of $64,683.36 when, in fact, that was incurred by a transfer from surplus of $1,000,000 to investment account to cover losses that had been made on investments by the Company..."

"losses that had been made on investments," oh, I remember that very well. That was what put you into the red to the extent of $614,683.36.

MR. HEWARD: Yes, that put us into the red.

I submit that is justifiable because the investments held by the Company are part of its liquid assets which may be used and are held there and in some cases are used when they have to call on surplus for its business, and if that liquid asset has been impaired of course it is proper to transfer it from surplus to cover it.

It should be also noted in that year that apart from the transfer of $1,000,000 to investments reserve there was an actual loss of $10,471.22 before paying dividends, as I calculated it out, and after taking the income from investments into account.

MR. McRUER: I do not think that ties up with our record.

MR. HEWARD: Mr. Gordon gave me that figure. That is from operations alone, it is not taking into account the dividends. I made the statement that there was an actual loss of $10,471.22 even if we eliminate that transfer from the reserve and I made the statement erroneously, my lord, that that was after taking into account the dividends received from investments, but I am wrong. That is the loss from operations after bond interest ---

MR. McRUER: No, that cannot hardly be. The net trading profit available for distribution that year - the bond interest was $292,000, income taxes $60,000, so that makes $352,000, leaving $75,000 profit before paying dividends.

MR. HEWARD: Does that include your income on investments?

MR. McRUER: No.

MR. HEWARD: I was quite wrong. I withdraw the statement. It is after not only bond interest but preferred stock dividends there was a loss.

THE COMMISSIONER: Nothing left for the co mon

stock equity, you are $10,000 behind?

MR. HEWARD: Yes, I was quite wrong in my original statement.

THE COMMISSIONER: That is, you paid on the preferred shares and interest on your bonds and income tax and that left you $10,000 behind for the common stock equity.

MR. HEWARD: Yes, and only $6,000 for income tax that year.

THE COMMISSIONER: That is all that the consumer was asked to pay in your price?

MR. HEWARD: That was all that was paid, my lord.

THE COMMISSIONER: What I have in mind, Mr. Heward, is this: You put into your price, among other things, the income tax.

MR. HEWARD: Income tax on the operating revenue.

THE COMMISSIONER: Is that all you were charged? You only paid $6,000?

MR. GLASSCO: The difference between $6,000 and $60,000 is due to the invested revenue, which was taxable and that accounts for the difference.

THE COMMISSIONER: You see since it appears that the consumer is paying your income tax he is more interested in knowing now how much you charge him and also how much you pay.

MR. HEWARD: Inquiries are being made on that subject now.

THE COMMISSIONER: I would just like to have it as an illustration of what is actually going on.

MR. HEWARD: On the same page, 180, Mr. Glassco is criticized for not having included in Exhibit 1232, that is, the Exhibit as to statement for invested capital and earnings, for not being or having included in Exhibit 1232 an allowance for the so-called inventory reserves.

THE COMMISSIONER: Would you read Mr. McRuer's statement?

MR: HEWARD: Yes, right at the bottom of the page, "Further, Mr. Glassco has made no allowance for the secret inventory reserves or for the other secret reserves arising by reason of charging to operations amounts in excess of proper depreciation and amounts for betterments and repairs which should have been capitalized."

THE COMMISSIONER: You have been going into all that part.

MR. HEWARD: Yes, this is secret inventory reserves I want to deal with now. As to this so-called secret inventory reserves I submit, my lord ---

THE COMMISSIONER: That means that your inventory is undervalued.

MR. HEWARD: What my friend contends is undervaluation. It is important to point out that the term inventory reserve frequently used by Commission Counsel in this connection, I submit is a misnomer.

It refers to the fact that the Company valued its inventory of goods in process and manufactured goods at a conservative valuation.

THE COMMISSIONER: Well, we were told of the two accepted ways - that is to say, market value or cost, whichever is lower.

MR. HEWARD: That was by the Income Tax Department.

THE COMMISSIONER: I think Mr. Howson told us that, that is the way you look at these things and that is what the Income Tax Department works on.

MR. HEWARD: As a matter of fact they have accepted our basis for years and it was fully explained to them in 1934.

THE COMMISSIONER: How do you arrive at your value?- at cost or at market value?

MR. HEWARD: Mr. Brown described it in detail. They wrote down bycertain percentages in each stage in each mill and then there was a fixed sum deduction when it got to head office, and those percentages for the particular lines of goods and for the particular type of supplies were consistent throughout the period and the lump sum amounts which were allocated to each mill were consistent throughout the period and ---

THE COMMISSIONER: Might have been consistent - were they on a proper basis?

MR. HEWARD: I submit they were, for this reason: that inventories have to be taken into the accounts as part of the current or liquid assets- they always

are. It is good practice and standard practice to value those inventories on a conservative basis because the goods in process and manufactured goods must be taken into the current assets. They must be taken in therefore at a figure at which they could be readily sold in the condition in which they are at the time they are taken in and if they were not taken in at such a figure, a very conservative valuation, then it would be misleading to the shareholders and everyone else concerned to---

THE COMMISSIONER: When you say "A figure at which they could be readily sold," do you mean then market value?

MR. HEWARD: I don't think so, my lord. I think it should be less than market value. I think it is arguable in a business of this kind where we have goods going through the mills first in the "greige" and then going through the other mills, that these goods may not be in a finished condition for some months, and I think it would be misleading to everybody if we did not put them in at a very conservative valuation when we include them in current or liquid assets, because that current or liquid assets mean they are readily saleable at the figure at which we put them in. Now,--

THE COMMISSIONER: How far down can you go then in that way without falsifying the picture for me, because I must ascertain the profits, you see. I am not talking of income tax at all - I am leaving that

aside, but I must arrive at your profits.

MR. HEWARD: You asked me how far down can we go. That is a question of degree.

THE COMMISSIONER: How far down have you gone? Have you gone both below cost and below market value?

MR. HEWARD: In some cases, yes, my lord.

MR. McRUER: I think in all cases.

MR. HEWARD: No. For instance, we take coal in at the market no matter what it costs us. We take raw cotton at the market and set off a specific reserve against it, and that is a very large part of inventory.

MR. McRUER: I was not quarrelling with you doing it in my brief at any time.

MR. HEWARD: That is just the point I make - that if it is a proper thing for us to do then I do not think it is a secret inventory reserve.

THE COMMISSIONER: It is not secret so long as you let it be known to those who have a right to know it, and, for instance, I have a right to know it.

MR. HEWARD: If you take it over a term of years you will see that the so-called secret inventory reserve that Mr. Shephard referred to in his evidence in Exhibit 947, that the inventory reserve which he estimates was not disclosed in the balance sheet are given.

THE COMMISSIONER: I would like to see that. This is Mr. Howson's Exhibit?

MR. HEWARD: It was Mr. Shephard put it in,

Mr. Howson's Associate. First of all, Mr. Glassco has just given me some information which was news to me and which he can explain to your lordship perhaps more clearly than I can.

MR. GLASSCO: As a result of work that has been done on the inventory, further investigation since this table was prepared, the inventory reserve as shown by this I think will be very substantially reduced owing to a misconception existing at the time this was prepared.

THE COMMISSIONER: Are you referring to the column headed, "Inventory reserve not disclosed---"

MR. GLASSCO: Yes.

MR. McRUER: This was prepared precisely on the evidence and precisely on Mr. Gordon's statement in the witness box and sworn to. Now, if Mr. Glassco is making any suggestion of any misconceptions he better be clear of what he is saying because there is no doubt as to the accuracy of the manner in which this is prepared on the evidence that has been given and the evidence taken is Mr. Gordon's evidence.

MR. GLASSCO: That is so, but unfortunately Mr. Gordon was not properly informed as to the facts in the earlier years.

THE COMMISSIONER: Mr. Glassco is still under oath.

MR. GLASSCO: Yes. I just want to point out that those figures in their amount are inclined to

over-state the amount and if they were to be corrected in the line of the information which is now available and which I may say has taken some very considerable digging, this schedule would result in very much lower totals for the inventory reserve. I do not think you would want me to elaborate that.

THE COMMISSIONER: Has that been communicated to Mr. Howson?

MR. McRUER: We have no request to correct this exhibit and certainly if there was to be any correction made of it it should be submitted to Mr. Shepard who prepared it and who should go over it and see what it is.

MR. GLASSCO: I have explained to Mr. Howson the essence of the correction and it arises from one very simple fact and that is the impression that was largely held that the inventory all during this period was valued on 5-cent base, that is process and finishing, five-cent cotton base plus. That was Mr. Gordon's evidence and he made a mistake in respect of all but three years of this period, and we find the base was 13 instead of 5.

MR. McRUER: Does not make any difference in the result of the position of the reserve now?

MR. GLASSCO: Oh no, now.

MR. McRUER: The figure that states what it is now---

THE COMMISSIONER: What one is that?

MR. GLASSCO: That is the last one of $3,000,000.

THE COMMISSIONER: That is proper figure?

MR. GLASSCO: I am not prepared to say that because I have not been into the other figures in great detail.

THE COMMISSIONER: In that case you would have an inventory reserve not disclosed in your balance sheet of $1,000,000.

MR. HEWARD: If it can properly be called inventory reserve. I would simply say it is justifiable valuation of the inventory.

THE COMMISSIONER: Which is justifiable - the one corrected by adding to it $1,360,000, or the one you show?

MR. HEWARD: The one we show because we must show our inventory on conservative basis. My friend does not contend that we should not do so.

MR. McRUER: Oh no, my friend misunderstands me. I say the proper valuation is cost or market, whichever the lowest. Mr. Elliott has sworn to it and nobody has attempted to contradict that as being the proper way. I say as against that if you set apart something additional by way of reserve, $1,300,000, if you won't say this is below cost or market by this amount, all right, that is your business.

THE COMMISSIONER: So long as there is disclosure.

MR. HEWARD: Does not make any difference in the profits except to the extent ---

MR. McRUER: Makes a big difference in the profits.

MR. HEWARD: No, not over a term of years.

THE COMMISSIONER: Since this figure is admitted---

MR. GLASSCO: I cannot quite admit it but I can say that the error of which I speak is not present in the year 1936 of which that figure is ---

MR. McRUER: Or any of the last three years?

MR. GLASSCO: No.

THE COMMISSIONER: Is it worth while going into this thing again?

MR. GLASSCO: I do not think year by year in detail.

THE COMMISSIONER: You say the last three years were approximately right?

MR. GLASSCO: On the basis which has been adopted by Mr. Shephard for determining the extent by which the inventory is under the true cost or market value whichever is the lower.

THE COMMISSIONER: What basis is that? What is the principle?

MR. McRUER: Set out rather elaborately in my Brief, page 389.

MR. GLASSCO: I think you can say, generally speaking, that Mr. Shephard's effort has been to reduce the inventory to the lower cost or market, purely and simply.

MR. McRUER: He takes that as the base and then shows by how much lower it was taken into your inventory. That is the basis on which the Annual Statement in 1936 certified it was. There is no doubt about that, page 391 of my brief, I quote from the Annual Statement:

MR. HEWARD: Mr. Glassco has said in his evidence that he does not think that is an accurate statement.

MR. McRUER: I know. As to merchandise and supplies on the basis of cost or market price, whichever was the lower. What we have done is to calculate what it would be on that basis, and this $1,300,000 is the difference.

THE COMMISSIONER: Well, that seems to be the result. We will leave it at that. What is the point you raise? You say in earlier years there was something wrong.

MR. HEWARD: The earlier years - Mr. Shephard and everybody else who looked at it, including Mr. Gordon, thought the cotton base was taken at 5, whereas it was taken at 13.

THE COMMISSIONER: There is no doubt about that?

MR. McRUER; I don't know. We have not had a chance to check it.

THE COMMISSIONER: Well, you can check it.

MR. HEWARD: I did not hear of it until this moment. What I submit is that if the amounts described as inventory reserves by Commission Auditor were to be included it would have no material affect on the percentage of earnings as shown in Exhibit 1232 because if they are included in the company's profit then the additional equity represented by the balance of the reserve at the end of each year must be added to the invested capital and while small differences would appear

from year to year the accumulative of such adjustments has been found to be so small as to be negligible. As I stated before, amounting to considerably less than a half of one per cent. That is the point, that that criticism, if it were well founded would only result in less than one-half of one per cent. in the figures shown by Mr.Glassco.

THE COMMISSIONER: On account of additions?

MR. HEWARD: Yes, and over a term of years.

MR. McRUER: That is one-half of one per cent. on the capital invested. Amounted to a great deal on my computation on the original capital.

MR. HEWARD: If you take there $500,000 fallacy it would.

MR. McRUER: It is not a fallacy. It is a great big reality.

THE COMMISSIONER: We will adjourn.

-- The Commission adjourned at 12.30 to resume at 2.30 P.M.

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-- On resuming at 2.30 p.m.

THE COMMISSIONER: You and I have to carry on, Mr. Heward.

MR. HEWARD: I am coming to a part that I think perhaps my learned friend would like to hear.

THE COMMISSIONER: He is here, he came in with me.

MR. HEWARD: Before I leave the question of return on investment -- and it may please all concerned to hear that I hope to leave it very soon -- there is one feature which I think would be usefully considered, and that is the return on the actual operating investment, excluding from the figures that we have given -- all exhibits to date have been the total returns of the company, including returns from its outside investments.

THE COMMISSIONER: By "operating investment" do you mean --

MR. HEWARD: The manufacturing assets.

THE COMMISSIONER: Do you mean the working capital?

MR. HEWARD: No, the manufacturing assets.

THE COMMISSIONER: That part of the company's assets that are devoted to the industry?

MR. HEWARD: Devoted directly to the manufacture and selling of textiles.

THE COMMISSIONER: Yes. That is the first time I have heard it expressed in that language, though. And the figures that you have in mind include --

MR. HEWARD: Include investments such as

investments in government bonds.

THE COMMISSIONER: Just outside investments?

MR. HEWARD: Outside investments and the return from outside investments. The exhibits that I have prepared --

THE COMMISSIONER: That is what Mr. Howson has done, is it not?

MR. HEWARD: Of course, Mr. Howson has done it on the assumption that $500,000 was the original capital investment.

MR. McRUER: Oh no.

MR. HEWARD: Mr. Howson just takes $12,000,000 off our invested capital.

MR. HOWSON: The total investment in outside investments is shown separately and the total income is shown separately.

MR. HEWARD: I have prepared a statement showing the ratio of net profits before bank interest, investment revenue or income tax. In other words, taking what part of the investment lies behind the bank loans, the bonds and the shares and the ratio of net profits before bank interest, investment revenue, that is to say bank interest, bond interest, share dividends and income tax, to invested capital in manufacturing operations.

THE COMMISSIONER: That means the profits before you distribute them?

MR. HEWARD: The profits before they go to either --

THE COMMISSIONER: Are available to the shareholders?

MR. HEWARD: To the bankers, the bondholders and the two classes of shareholders, and for income tax as well. In other words I have set that up in the same way as we did exhibit 1357.

THE COMMISSIONER: Is not tha the way Mr. Howson sets that up too in arriving at what he calls net profits? I just want to know whether you are establishing a different method from his.

MR. HEWARD: Slightly different, I think. This is slightly different in this respect, that we have taken in as part of the manufacturing assets, the manufacturing assets of the Sherbrooke Cotton Company while it was a subsidiary, for the few years that it was a subsidiary, and of the Drummondville Cotton Company. They are both wholly owned subsidiaries. The Sherbrooke Cotton Company has now been absorbed, its assets taken up, but in this ten-year period there was a period in which they were wholly owned subsidiaries. And the other difference of treatment is that we have included as part of the investment the bank loans, although, as I said to your lordship, I thought that that is very debatable, whether the bank loans should be included as part of the investment, and bank interest as part of the return on the investment, but we have included it. It makes the earnings a little higher.

THE COMMISSIONER: It is not like bonds; it is not a permament investment.

MR. HEWARD: No, it is not permanent.

THE COMMISSIONER: Something that you work with.

MR. HEWARD: Yes, something that we work with. I did that because it was suggested that might be the proper way of treating it.

THE COMMISSIONER: Treating the bank as an investment?

MR. HEWARD: Treating the bank as an investment. I want to meet the suggestion made during Mr. Kellock's argument that that was the proper way, and I have included bank loans as part of the investment.

THE COMMISSIONER: What you are setting up now, are you going to draw a comparison or contrast with something that Mr. Howson has done in one of his sheets?

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: Where will I find Mr. Howson's figures?

MR. McRUER: Is there anything to indicate how these figures are arrived at, net profit for manufacturing and trading?

THE COMMISSIONER: I have not the copy before me. I don't know just what you are talking about now.

MR. McRUER: I don't think this can be compared with Mr. Howson's.

MR. HEWARD: I do not think it is comparable.

THE COMMISSIONER: 1359?

MR. HEWARD: 1359. They do not treat with the

same entities. If we look at that--

MR. McRUER: It is not clear to me what this does do.

THE COMMISSIONER: Well, that is what I want to know before we start using it. I want to know whether it was made to meet anything else, to contradict or take issue with any other document?

MR. HEWARD: No, my lord.

THE COMMISSIONER: It is not?

MR. HEWARD: No. Mr. Howson has attempted to show the profit in manufacturing operations, and has shown very high percentages.

THE COMMISSIONER: I know. Where does he show that?

MR. HEWARD: In 917, page 13 of page 917.

MR. McRUER: Well, is there anything wrong with Mr. Howson's computation?

MR. HEWARD: Yes. We have criticized that already. He shows here the net revenue from trading applicable to the common stock employed in the operations, and deducts from our common share equity the twelve million dollars which, we claim, represents part of the value of the investment, and which if he is right in his statement that we had over-depreciated by seven million dollars, should be five millions higher.

THE COMMISSIONER: Will you show me just where, on page 13?

MR. HEWARD: Down at the bottom. If you look at 1927, for instance, he shows down at the bottom the percentage of net revenue from trading applicable to the common stock, to the common share equity employed in operations. He says that is 31.3 per cent.

THE COMMISSIONER: That is the percentage of the net revenue from trading which he says is applicable to comm on stock? No, from trading applicable to common stock, the common share equity employed in operations. You say that is wrong, do you? What does he do there? What does he omit or what does he add?

MR. HEWARD: On the preceding page in the 1923 claim column, on page 12, my lord, he shows a figure $11,501,000, which has a double line under it.

THE COMMISSIONER: He starts by showing that capital employed in manufacturing operations.

MR. HEWARD: Yes. Then he deducts what he calls the inflation.

THE COMMISSIONER: Is there anything wrong with the initial figure $26,000,000 there?

MR. HEWARD: It would be different from ours, of course, because Mr. Howson did not include Sherbrooke and Drummondville.

THE COMMISSIONER: Oh yes, just in that respect. But I mean, in principle there is no difference between you? You have included the other assets, that is all.

MR. HEWARD: We have included other assets. The first figure is the same. We object to the deduction of $12,000,000.

MR. McRUER: You do not include the inflation. Youask for the $12,000,000 inflation but do not agree that it should be carried into profit.

MR. HEWARD: We say certainly it should be carried into profit. We say it is a natural increase.

THE COMMISSIONER: You simply take his $26,000,000 odd and add to it the other mills?

MR. HEWARD: We add to it the manufacturing assets of the other mills.

THE COMMISSIONER: All right.

MR. HEWARD: And we add of course to it the revenues from the other mills too.

THE COMMISSIONER: He subtracts what he calls inflation of $12,000,000, and what do you do with that?

MR. HEWARD: We say that the $12,000,000 is part of the value of the investment.

THE COMMISSIONER: You say that this initial investment would be $38,000,000?

MR. HEWARD: No, $26,000,000. He is deducting twelve from the twenty-six.

THE COMMISSIONER: Oh yes, that is already deducted. I beg your pardon. He brings it down to $14,000,000. You say he should not?

MR. HEWARD: I say he should not.

THE COMMISSIONER: All right then.

MR. HEWARD: On that basis, my lord, I want to point out this, that according to these calculations made by Messrs. Clarkson, Gordon, Dilworth and Nash in this statement, it will be seen that during the ten year period from 1927 to 1936 the average ratio of net profits to invested capital on a cost basis was only 7.8 per cent. Your lordship will see that?

THE COMMISSIONER: Yes, I have it, at the bottom. All that depends on that $12,000,000 difference.

MR. HEWARD: And also the small difference I pointed out, bringing in the other companies. On the cost basis the only thing between us is two millions, two millions which we say was part of the tangible assets the company received at the outset for its common stock.

MR. McRUER: $2,100,000.

THE COMMISSIONER: The book values of the old companies.

MR. HEWARD: The book values of the old companies, yes my lord. The surplus book values. That is on the cost basis. Then we come to the bank investment and we have to add $9,800,000.

THE COMMISSIONER: Which you took over after the valuation?

~~THE COM~~MR. HEWARD: Which we wrote up in our books in 1923 after the valuation. If you run through

this ten year period, my lord, you will see that in 1923 the ratio of net profits to invested capital on a cost basis was 15.1; 1928, 9.02; 1929, 8.8; 1930, 8.7; 1931, 3.4; 1932, 1.2; 1933, 2.6; 1934, 11.7; 1935, 8.9; 1936, 9.6. If we take the value of the investment, which I have submitted is the proper basis, we find that during the period the average value was only --

THE COMMISSIONER: That is where these twelve million dollars make a difference?

MR. HEAD: Yes, -- that during the period the average ratio was 5.2 per cent, and in 1927 it was 9.5, in 1928 it was 5.8, in 1929 it was 5.9, 1930, 6.3, 1931 2.3, 1932 8/10ths of one per cent, 1933, 1.7, 1934, 7.7, 1935 5.8, 1936 6.2. And so, my lord, it seems to me that if it had not been for the outside investment account of the company, these monies invested in government bonds and other securities apart from investments, the earnings of the company over the period, both in relation to the investment on cost and the value of the investment would have been extremely small, as shown here. Now I think it is important for us, on account of the special attention which has been paid to the situation after the change in the 1930 tariff, to look at the history from that time on, and we should bear in mind in that connection that between 1930 and 1934 the company's surplus account was reduced by over two

million dollars and they paid out dividends and took losses on investments and otherwise.

THE COMMISSIONER: You include that million dollars you took out?

MR. HEWARD: Not in this statement.

THE COMMISSIONER: But when you make that statement show --

MR. HEWARD: The surplus account, yes, that includes the million dollars, and this was only about one half of the usual depreciation taken in three successive years. That is, in the years 1931, 1932 and 1933. That in itself would make a difference, I am instructed of about $1,800,000. In 1931, for instance, if the company had written the usual depreciation that it wrote the previous year, the same scale of depreciation, it would only have shown $32,323.40 earned by manufacturing operations available for bank interest, bond interest, income tax and dividends. And in 1932 the corresponding figure would have shown a loss. That is, if we had taken the normal depreciation that we took in 1931, of $465,086.19 before bank interest, bond interest, income tax and dividends. In 1933 there would have been a loss of $310,589.40 before providing for any of the above requirements. And in 1935 and 1936 also. Your lordship will notice that for the moment I am skipping 1934, because I want to deal with it

separately. I say that in 1935 and 1936 the manufacturing earnings were low, particularly in relation to the value of the investment, but we took off full depreciation in those years. That is the picture in regard to the years 1931, 1932, 1933, and 1935 and 1936. As I said just a moment ago, I did not deal with 1934 in presenting this picture, and the reason I did not was that very exceptional circumstances existed in 1934. In the first place after the bad year that had preceded, the wages were at the reduced level throughout the year commencing with April 1st, 1933 and ending March 1st,---

THE COMMISSIONER: That was the ten per cent reduction?

MR. HEARD: That was the ten per cent reduction, my lord. And that reduction in wages was made right at the beginning of the year and existed right throughout the year. And in the second place, during the same year there occurred a sharp upturn in business conditions. And in the third place the company's increase for that year included a handsome profit from raw cotton arising from purchases of actual cotton and futures below the levels that obtained at the close of the fiscal year. I should mention here in passing that the company raised its wages by five per cent immediately the year's results were known to the management. The total resultant figure was an increase in wages of about $200,000.

I therefore submit that the year 1934 and its results are not typical of the conditions which existed during that six-year period. On account of those special conditions, the normal conditions are shown better by the three previous year and by the two years following when there was a general pick-up. So I submit that it is quite clear from these facts that had it not been that the company had a substantial revenue even after 1930 from the monies which were invested in outside investments, the situation from the standpoint of the shareholders would have been most serious on account of the manufacturing results of those years that I have specially mentioned, and that it probably would have been necessary --

THE COMMISSIONER: If it had not been for what, did you say?

MR. HEWARD: If it had not been for the revenues the company received from outside investments, it probably would have been necessary to make further reductions in wages and earlier and possibly more drastic reductions in the dividends to the shareholders than the five per cent reduction which was made in 1932 and the 20 per cent reduction in 1933. Your lordship may ask me why I say five per cent reduction. There was a 20 per cent reduction which lasted for fifteen months, so that for the three months applicable to 1932 it would amount to five per cent

reduction and for the whole of 1933 it amounted to ten per cent reduction.

THE SECRETARY: Is that dividend you are speaking of?

MR. HEWARD: Dividend. So, my lord, I submit emphatically that the attempts to show that the company had any hidden earnings as a result of over-depreciation and charges to governments have failed. I submit that confidently, and that therefore the profits which they have shown are the real profits, and that therefore the situation is that the earnings of the company in relation to its invested capital have been remarkably low, as I said at the outset, having in view the risks attendant on the manufacturing industry and that in regard to the value ofnthe investment they have been inadequate.

Now my lord, I should like to turn to the question of the earnings in relation to sales, which are dealt with on page 29 of my factum; I have left it for many hours, I fear, but I come back to it now. Division 3, "Earnings of Investors in Relation to sales".

THE COMMISSIONER: You are including the bondholders?

MR. HEWARD: No, I am dealing with 1230, which was filed, but we can see by looking at that exhibit how much went out of the sales dollar for interest as well.

THE COMMISSIONER: Yes, but just for the purpose of following you properly: the investors, that means the preferred and common shareholders?

MR. HEWARD: That is the way exhibit 1230 was drawn up, my lord. Has your lordship got 1230 before you?

THE COMMISSIONER: Yes, it is here.

MR. HEWARD: It is easy to find out what they were.

THE COMMISSIONER: Exhibit 1230, what page?

MR. HEWARD: It is page one, my lord. I said that it would be easy to find out how much went to the bondholders and the bank people at once because there is an item, interest.

THE COMMISSIONER: That is both bonds and bank?

MR. HEWARD: That is right. I have dealt with it here in my factum on the basis of the figures shown for preferred and common dividends, my lord.

THE COMMISSIONER: This is your own exhibit, this 1230?

MR. HEWARD: Yes. This was put in by Mr. Glassco.

THE COMMISSIONER: All right. What is it you want to say?

MR. HEWARD: Perhaps the best way to deal with it is to start reading my factum here.

"An important factor from the point of view of the consumer and one which has a bearing upon the

"sufficiency or otherwise of tariff protection, is the proportion of the sale price of the goods which represents earnings available for the investor. The situation in this regard in the last ten years is fully dealt with in exhibit No.1230 showing the distribution of the sales dollar in each of the years 1927 to 1936 in respect of the Dominion Textile Company, Limited, and also for the five-year period 1927 to 1931 as a whole and the five-year period 1932 to 1936 as a whole, and for the ten-year period 1927 to 1936 as a whole."

You will find on the second page and on the third page the figures for each separate year.

"It will be noted that in the first five-year period, 1927 to 193k, viewed asa whole, the part of each sales dollar available for common stock amounted to 6.54 cents. Adding to this the part of the sales dollar used for preferred stock dividends, namely .73 cents we find that an amount of only 7.27 cents in each sales dollar was available as a return upon the entire stock interest consisting of preferred and common shares. This period, it will be remembered, was for the most part a period of great prosperity. In the five-year period, 1932 to 1936, reviews as a whole, the portion of the sales dollar available for the common stock

"equity was 4.3 cents, and the preferred dividends amounted to .88 cents, so that the part of the sales dollar which was available for the entire stock interest during this period was only 5.18 cents. In the ten-year period viewed as a whole, only 5.52 cents of the sales dollar was available for the common stock equity and only .80 cents was used for preferred dividends, making a total of 6.32 cents in each sales dollar available for the entire stock interest. In the year 1936 --- "

We turn to the next page, my lord.

"only 3.13 cents of the sales dollar was available (I said in my factum, 3.23)."

That is a mistake. It should be 3.13, as your lordship will see by referring to the exhibit. 1936 is the extreme right-hand column on page 2.

" --- as a return on the common stock equity and only .74 cents was paid out in preferred dividends, a total of only 3.87 cents in each sales dollar in respect of the entire stock interest. In the year 1933 it will be noted that after payment of only 1.22 cents on each sales dollar as preferred dividends there was nothing left as a return on the common stock and in fact there was a deficit of .09 cents. "

Now, my lord, as has been already pointed out, the

return on the sales dollar must be considered in relation to the capital invested, and the length of time which it takes to turn over that capital. Where capital is turned over quickly a reasonable return on a sales dollar would be lower than where the capital is turned over more slowly. I am not reading from my facturm now; this is just as a result of something that came up in the notes. If we examine the figures given in regard to the sales dollar on page 2 of 1230 we find that the capital of the Dominion Textile Company turns over slowly. For example, in 1936, on page 2, the total value of the investment amounted to $27,820,437.25, and the total sales amounted to $18,269,296.11. So that on that basis it wouldtake nearly a year and a half to turn over the capital. In that year we find, however, that only 3.87 cents on each sales dollar was available for preferred and common stock and similarly in 1935. The capital invested that year according to exhibit 1230 is $28,308,851.90, andthe sales amounted to $17,559,750.15, and that at the rate of sales made in that year it would take over a year and a half to turn over the capital and in that year the part of the sales dollar available to preferred and common stock amounted to nearly 5.28. So that I submit that under those

circumstances, my lord, the record in regard to Dominion Textile Company's profits on its sales are that they have been and are moderate and, in fact, even low, and I think the consumer has been fairly treated in that regard. I do not think anyone can say that is a large spread on the salesdollar. In this connection, as my associatiln Mr. Geoffrion pointed out, the sales dollar represents the price at which the goods are sold by the company to the wholesaler, or in some cases to a retailer, or in some cases to a cutter-up, a secondary manufacturer or some one else, who resells to the consumer; and even if the manufacturer could be asked to cut down the already small margin of profit which we find is here in the sales dollar, it does not necessarily follow that the middleman would pass on the whole or even part of the small decrease in the price he gets, in reselling the goods.

THE COMMISSIONER: Well, would not the tendency be that way?

MR. HEWARD: Experience does not show it, I think.

THE COMMISSIONER: Oh, surely the ultimate price to the consumer must be composed of all these ingredients as they come along, -- manufacturers' profit, wholesalers' profit, jobbers' profit.

MR. HEWARD: Theoretically it should. They sell

at fixed prices there, in the stores.

THE COMMISSIONER: Oh, I know. That would mean the "fixtures" would come down. I mean that ought to be the tendency.

MR. HEWARD: That ought to be the tendency.

THE COMMISSIONER: They would certainly go up if your price went up. I suppose what you mean to say is that you would have to reduce your price very considerably before it would be reflected --

MR. HEWARD: Before it would be reflected in the price to the consumer. And there is not room for a substantial reduction here, I submit my lord. I think I am going to leave my factum again for a moment and deal with some arguments of my learned friend. The point I want to deal with is this question of competition, which, my lord, I said I would deal with. I referred to it briefly once before when I was referring to excessive or unhealthy competition.

THE COMMISSIONER: The removal of that excessive competition is one of those intangible things that you say was brought into the new company?

MR. HEWARD: Yes, my lord. Now, while commission counsel does not say so expressly in his brief, it is to be inferred from his numerous criticisms and from statements he made during the

argument that he contends that the lessening or elimination of competition of any kind is detrimental to the consumer. One of the criticisms he made was my statement that one of the intangible considerations which the new company received was the elimination of excessive competition.

THE COMMISSIONER: Of course, I think what Mr. McRuer said is this: It is rather strange to go to the consumer and say, "Here, we have taken away competition; that is a good thing for you". Offhand, it is not a good thing for him.

MR. HEWARD: I hope to be able to show that sometimes it is a good thing.

THE COMMISSIONER: And that in this case it was.

MR. HEWARD: ~~I make this~~ With this proposition, that the lessening of excessive competition of any kind, or rather of competition of any kind, whether excessive or unhealthy, is detrimental to the consumer, I do take issue. I say that the elimination of excessive or unhealthy competition is not detrimental to the consumer.

THE COMMISSIONER: You recall that case which was argued in Australia and went to the privy council, -- the Adelaide Steamship case. It was dealt with by Mr. Kellock.

MR. HEWARD: I am afraid that if I heard that part of the argument I did not pay sufficient attention.

THE COMMISSIONER: They go through all that argument there and they point out, what of course is true, that there are cases where excessive competition will end in a blow-up, and then things will be worse for the consumer than they were before.

MR. HEWARD: That is one of the things I want to point out. And in the meantime prices may be higher.

THE COMMISSIONER: They will become higher after that.

MR. HEWARD: Over-competition very often raises prices rather than lowers them. Under conditions of free competition, if all persons engaged in that type of over-competition are to remain in the picture, each of them must keep his prices up to a figure which will make it possible to make a profit from a small volume of sales, that figure being necessarily higher than if he had a larger volume of sales with the same overhead and selling expense. If you can distribute your overhead of selling expense over a large volume of sales it is elementary, I think, that prices will be lowered. Where it is not feasible for these people engaging in unhealthy competition to keep their prices up in order to carry their overhead and selling expense, then some or all of those operating under conditions of excessive competition eventually disappear through bankruptcy. If, for instance,

the four old companies which were merged in 1905 had carried on independently until they or some of them were shifted out of the picture by bankruptcy, the excessive competition which had therefor existed would have been eliminated or lessened, but with very disastrous results to the companies which went into bankruptcy, to the shareholders, to their employees, and probably after these people disappeared from the picture through bankruptcy an ehhancement in price would have followed.

THE COMMISSIONER: You say you prevented all that happening by proceeding to acquire these companies?

MR. HEARD: I say that is a possibility, yes my lord. The elimination of excessive competition in an orderly and constructive manner was therefore, I submit, better for all concerned.

(Page 17846 follows)

THE COMMISSIONER: That is the question; that is the question.

MR. HEWARD: Yes, my lord, and I think that there is this to be said; it is the unhealthy compeition that was forcing them into bankruptcy, probably was the reason for forcing them into bankruptcy so that they had to sell at sub-cost prices. Those sub-cost prices --

THE COMMISSIONER: They were actually doing that, were they?

MR. HEWARD: Well, my lord, they were making such a bad showing that there must be some reason for it, but these sub-cost prices --

THE COMMISSIONER: We know there was bad management in connection with some of them because there was a change in the management a couple of times with one company.

MR. HEWARD: Yes, my lord, but these sub-cost prices were not necessarily low prices from the point of view of the consumer although they may have been low in relation to the cost because the cost of the old companies, apart, separately, was high. I submit that competition is not detrimental to the consumer unless it results in improper increases in prices which the latter pays, and there has been no evidence to show that there was such an increase in prices after the merger or even to show they were improperly high after the merger. Now, my lord, I did find -- or, at least the officials of the company were able to find the selling prices immediately after the merger from

circulars, and with your permission I will submit them. Have you got the selling prices --

MR. McRUER: The selling prices of what? This is getting rather into something --

MR. HEWARD: The selling prices of the new company.

THE COMMISSIONER: Getting into evidence.

MR. McRUER: Not only into evidence, but evidence of a nature which I don't think we should be asked to accept without cross-examination.

MR. HEWARD: Well--

THE COMMISSIONER: What is it you have, Mr. Heward?

MR. HEWARD: They are old original selling prices here with the circulars.

MR. McRUER: But you see I am not concerned with any price list or anything of that nature. What I am concerned with is what the consumer paid and what you got out of it, and what prices you might have sold at if you pursue and sell at the same price, we will say, you sold at before.

THE COMMISSIONER: I don't think there is any evidence to show that prices went up after the merger or that they went down.

MR. HEWARD: There is none, but I think looking at these sale charts which we found there is no doubt about them being genuine; they are most interesting old things.

MR. McRUER: We have got to go into the question of costs of raw material and all that sort of thing.

MR. HEWARD: I was going to go into that.

MR. McRUER: That would take us a week or two to examine and find out the relevant facts of wages and so on.

THE COMMISSIONER: Have you got anything there showing by comparison with former years whether or not the prices went up or down?

MR. HEWARD: I have got a comparison, my lord, showing what happened to the prices immediately after the merger. I could not find any of the old companies' sales lists. Mr. Gordon was good enough to have charts prepared for me showing what happened to prices in relation to the prices of raw cotton in the three or four years, 1904 to 1907.

MR. McRUER: You had better carry on straight through for a long time.

MR. HEWARD: I quite admit it isn't in evidence, my lord, and I am in your lordship's hands.

THE COMMISSIONER: You have only those few years and it does not compare with the former state of affairs?

MR. HEWARD: No, my lord.

THE COMMISSIONER: I don't see really what use it is.

MR. HEWARD: The charts do take the last prices of Dominion Cottons, but we didn't have any sales lists we could produce. We had salesmen's old notebooks and things that we found, but I am in your lordship's hands.

THE COMMISSIONER: Well, it is all a matter of

what kind of evidence you have, whether it is final and conclusive so it would not lead to another investigation or on the other hand whether it is going to open up a new question. But up to the present I have nothing to say that the consumer suffered in his prices on account of your merger.

MR. HEWARD: I am content to leave it at that.

THE COMMISSIONER: There is nothing of that sort.

MR. McRUER: We haven't offered evidence to show prices went up after the merger. I approached it in an entirely different way.

THE COMMISSIONER: There is nothing to show that prices were increased by this merger.

MR. HEWARD: And our investigation shows -- well perhaps I better not say it.

THE COMMISSIONER: I suppose you would say you could have shown they went down.

MR. HEWARD: I should not say that. I could show they went down during those three years.

THE COMMISSIONER: If you had thought of it a bit earlier it would have been better but if you can do it now without controversy, say to-morrow, I will listen to you.

MR. HEWARD: I cannot do it any more to-morrow than to-day.

THE COMMISSIONER: I mean after giving Mr. McRuer a chance to look at what you have.

MR. HEWARD: I will be glad to give him these.

THE COMMISSIONER: Because if there is anything that raises a new question we cannot go into it; we will

have to leave it as it is.

MR. HEWARD: I am quite willing to leave it as it is.

MR. McRUER: I cannot study these things very usefully between now and to-morrow.

MR. HEWARD: I am quite willing to leave it as it is, my lord.

THE COMMISSIONER: You see there may have been a general trend of commodity prices up or down too, Mr. Heward. All these things enter into consideration. It might take some time.

MR. HEWARD: We have taken them in relation to the price of raw cotton. I thought that was the best test, but I am quite willing to leave it that way. I quite admit I have no right to adduce any further evidence.

THE COMMISSIONER: I cannot say that the effect of your merger at all was to raise prices. Do you see what I mean?

MR. HEWARD: Yes, I see, my lord, and I am quite satisfied to leave it in that way.

Now, my lord, I would like to pass on to another feature which I approach with some diffidence because it is so complex, and that is the question of cost accounting. My head swims when I think of it, but I will do my best--

MR. McRUER: Yours is not the only head that swims.

MR. HEWARD: I agree with that, but on page 247 and following my learned friend does deal in a rather

brief but rather sweeping way with the cost accounting systems and methods of the various Canadian mills.

THE COMMISSIONER: What page did you say?

MR. HEWARD: 247. I have always been told heretofore that cost accounting was one of the most difficult branches of the accountancy profession that there was and now I am convinced of that.

MR. McRUER: I think the League of Nations tried to solve this problem and finally gave it up. It is worse than international defence.

MR. HEWARD: Now, the statement to which I have reference on page 247 is this:

> " It is submitted that the evidence shows that very few of the companies reporting to the commission keep such records as will enable them to state with reasonable accuracy what their cost of production is for any particular fabric."

Now, I cannot argue on behalf of any one except my own clients, but I do say that --

THE COMMISSIONER: You think that statement should not apply to you?

MR. HEWARD: Yes, I think that is too sweeping a statement to apply -- in its application to us anyway because in the cotton manufacturing group there is evidence on record which contradicts that statement made by my learned friend in that second paragraph. In Mr. Loper's examination and cross-examination it was brought out that he had installed his cost system --

THE COMMISSIONER: What page is that?

MR. HEWARD: I will give you the evidence, my lord -- installed his cost system in most of the cotton mills under examination by this Commission, and the pages are 1794, line 9; 1794, lines 18 to 21; 1802, lines 18 to 26; 1804, lines 14 to 29; 1828, lines 10 to 12; 1830, lines 6 and 7 and 1841 lines 4 to 9.

MR. McRUER: I missed the references after 1791, line 9.

MR. HEWARD: 1794, line 9.

MR. McRUER: What next after that?

MR. HEWARD: 1794, lines 18 to 21; 1802, lines 18 to 26; 1804, lines 14 to 29 --

MR. McRUER: Is 1828 after that?

MR. HEWARD: Yes, 1828 is the next one. I think there was only one large cotton mill excepted, and he showed that he had installed the costing system in Dominion Textile, Canadian Cottons, Hamilton Cottons Company, Cosmos Imperial, Stauffer-Dobbie, and Montreal Cottons Limited. I think my client, The Dominion Textile Company, was the first company to instal the Loper system, and my recollection of Mr. Loper's evidence is that was in 1921, and when Dominion Textile took over the administration of the Montreal Cottons in 1930 Mr. Loper's firm was called in shortly afterwards to instal the system there.

Now, I do not want to appear to be giving a dissertation on cost accounting, even if I could, but perhaps it will not be amiss if I take a little

more time to deal with cost accounting as it is applied to the cotton manufacturing industry, and this is the first thing I want to point out, my lord, that I am instructed that it is impossible to actually measure cost of production for any one fabric or type of yarn when there are several dozens or perhaps hundreds of types being produced in a mill, to actually measure that. I should think that fact should be easily appreciated, and I believe my learned friend will agree with me on that. In other words, it is necessary to estimate by the best means at the disposal of the manufacturer the cost of manufacture of the various products. There is no such thing as actual cost of production measured to an infallible degree of accuracy for any one fabric or type of yarn when there is more than one fabric or type of yarn being produced in one mill. In the case where any manufacturer is producing more than one standard type of article the allocation of cost between the different types is an estimated cost, and only so long as the mill is producing one exact given article can the exact actual cost be determined, except perhaps as an occasional stunt or test. Even then I doubt if you can do it with infallible accuracy and say which part of the electric light cost went to making this particular piece of fabric of a certain fineness or this particular piece of yarn.

The Dominion Textile cost system, as Mr. Loper stated in his evidence, was installed after careful study of the system of operation based on the results

in a given period. I understand there is nothing exceptional or extraordinary in the cost accounting principles which are applied to textile cost accounting, or cotton cost accounting. The same principles are applied in other businesses where the nature of the process requires the same particular form of treatment in order to arrive at what is known as the standard cost, or the actual operating cost which, as I said before, is an estimate of the actual operating cost.

I have had my attention called to a book on this subject called "25 Years of Accounting Experience".

THE COMMISSIONER: Do you want me to read it?

MR. HEWARD: I was going to read an extract from it, my lord -- "1911 to 1936", by Mr. George Oliver May of the firm of Price, Waterhouse and Company where in chapter two, volume 7, which chapter was taken from an article which the author wrote for the Encyclopedia Britannica, I see the author had the following to say about cost accounting. He deals with three methods and I am going to refer to these three methods. The second one is the one which I am instructed is used in cotton textile mills.

> "Broadly there are three main types of cost accounting systems. The first undertakes to determine the cost for each production order which may cover either a single unit of production, where the units are large, or a batch of units where they are smaller. The second takes account of cost by separate

"processes or operations thus determining a unit cost for each process or operation, and leaving the cost of any article produced to be determined by bringing together the costs of several processes or operations through which it passes. The third seeks to determine ~~the~~ costs by products or classes of products, and to compute the cost of the units produced by dividing the total cost in regard to producing similar units in any period by the number of units produced in that period. Multiple products from a common raw material as in the case of petroleum and packing industries constitute a separate and difficult problem".

I am instructed that the particular type of cost accounting used in textile mills comes under what Mr. May calls the second system in his analysis.

THE COMMISSIONER: That includes Dominion Textile?

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: Read it to me again.

MR. HEWARD: "The second takes account of costs by separate processes or operations thus determining a unit cost for each process or operation, and leaving the cost of any article produced to be determined by bringing together the costs of several processes or operations through which it passes".

I think it would be clearer if it said "costs of the several processes", but that is the way I have it, taken right from the book.

THE COMMISSIONER: Through which it passes.

MR. HEWARD: Through which it passes; that is the particular thing that is being made.

THE COMMISSIONER: Passes through processes in common with other things.

MR. HEWARD: Yes, my lord, the particular process through which it passes; that is the thing that is being made, the cotton. That applies, as I said, to all textile mills, I am instructed, that second system, and here, in any event, including my client.

MR. McRUER: That is a very general statement.

THE COMMISSIONER: You divide the whole thing into processes.

MR. HEWARD: Yes.

THE COMMISSIONER: Name some of them to me; there is weaving, spinning --

MR. HEWARD: There is picking, carding, drawing, fly frame --

THE COMMISSIONER: Yes, I know. How can you apply the proportion of that to any particular sort of article, or do you try to?

MR. GORDON: Yes, my lord, we try to. That is what our cost system does. We bring to bear on the machinery in these departments the cost that should be allocated to the machinery and then the production through these machines bears its share of that cost. That is a rough and ready description.

THE COMMISSIONER: What I mean to say is, different articles of different value, having different

purposes, go through the same processes, don't they?

MR. GORDON: Yes.

THE COMMISSIONER: Do you try to allocate so much of/that all aggregate process cost to this article and so much to the other?

MR. GORDON: It works out this way, my lord, that you have a certain charge per spindle week in the spinning room. Perhaps it might be $3.00 per spindle week. If you are producing 10's yarn and get a production of about 5 pounds per spindle week you divide 5 into 3 and you get .60. If you are producing 20's yarn and get a production of 2 pounds per spindle week you divide 2 into $3.00 and you get a naturally higher cost. That is just an illustration.

MR. HEWARD: I should explain, my lord, that there is a criticism on page 247 of my learned friend's brief that the Dominion Textile Company was not able to tie up its standard costs with their actual operating costs, but I think what my learned friend meant there by "actual operating costs" was the general books of account. Is that not right, Mr. McRuer? As I understand it, my lord, there are three things we have to consider in regard to these criticisms, or in regard to cost accounting. The first is what is called the standard cost system which is adopted and which is installed by experts like Loper & Company or others, and which shows what should be the cost of the particular article based on their study, time study over a given period, the cost of a particular article,

assuming that the mill is running say at 90% of capacity, and then each month there is the actual operating cost sheet which shows what actually took place during that month, and, for instance, that is what it did cost, or as they estimated, to produce these particular fabrics. If you see, for instance, that the cost went up it may be due to the fact that the mill was operating at less than 90%.

THE COMMISSIONER: It would go up above standard in that case.

MR. HEWARD: The cost goes up above standard because the mill was operating at less than 90% and each production unit had to absorb more overhead, and then there is, aside from that, the general books of account of the company which simply shows what the company pays out, what the company gets in for all its operations, and have nothing to do with the operating costs or standard cost, and in that connection --

MR. McRUER: I cannot agree with that.

MR. HEWARD: Well, in volume two of his book entitled "Audit Theory and Practice" by Robert H. Montgomery, who I am instructed is a well known accounting authority, in volume two on page 127 the author states:

> "The cost system in use in the average cotton mill as a rule does not tie in with the general books".

THE COMMISSIONER: You have followed the general rule.

MR. HEWARD: It would be far too expensive, and it would be of no utility to the manufacturer to tie it in with these general books, that they must tie it in with their estimate of operating costs. In other words, their operating costs every month for a particular unit are the danger signal to them if they are far astray from the standard costing system.

MR. McRUER: How do you get your operating costs if it is not from the cost of operation? You have got to base, surely, your operating costs on what you have done.

MR. HEWARD: Now, in dealing with the figures submitted to the Tariff Board Commission Counsel --

THE COMMISSIONER: Just a minute; what is that you referred to, volume two of what?

MR. HEWARD: Volume two of Robert H. Montgomery's book entitled "Audit Theory and Practice", and the page is 127.

MR. McRUER: You see, the evidence goes much further, Mr. Heward, the evidence I have referred to in my brief, than you suggest. At 12912 Mr. Howson was asked:

"Q. Yes, and you are now looking at the answers submitted by each company? A. These are the sheets submitted by the Textile Company.

Q. Yes, and did they file any sheet in reference to standard costs? A. These are supposed to be standard costs.

Q. And have they filed any sheet in regard to

"actual costs? A. Yes, but not if you are speaking of the Dominion Textile Company; This was only for one year and on a test basis for one or two mills. They could not give me a complete picture at all, and they had no means of doing so. They advised me that the only way they dealt with the matter was to make a periodical test of individual mills, and they have not been able to give me a complete story of all their mills.

Q. Were they able themselves to tie up for you their standard costs with their actual operating costs? A. No, they were not."

That is the evidence I was basing my brief on.

MR. HEWARD: What I think Mr. Howson was referring to there was his return for 14-A, wasn't it?

MR. HOWSON: Yes.

MR. HEWARD: Well, 14-A does not call for a reconciliation between our standard cost and our operating cost sheets.

THE COMMISSIONER: What do you mean by return 14-A?

MR. HEWARD: 14-A was called that by Mr. Howson. It is an exhibit, my lord. It calls for a comparison between our standard cost system and our general books of account, our expenditures, and, as a matter of fact, the returns made on sheet 14-A for the two mills in question in which there was this test to tie in showed a very close reconciliation between all factors which they could possibly be expected to

reconcile under the circumstances. For example, taking return 14-A for the Mount Royal Mill, under raw materials we find that the standard cost called for -- this is over a year -- this is a period over a year -- we find that the standard cost for raw materials for the period of one year called for $665,924. You see that at the top there.

THE COMMISSIONER: Grey goods.

MR. HEWARD: Grey goods mill; this was done in a grey mill. This was a grey mill, my lord. The cost as per operating profit and loss account was $671,712.

THE COMMISSIONER: You call that the total actual cost.

MR. HEWARD: The total actual cost. That is per profit and loss account, the books of account, general books of account, $671,712, a difference of $6,000, or one per cent over a year. Process materials, the standard cost was $10,931 and the books of account showed $10,781, a difference of $150 there.

MR. McRUER: Are there not adjusting entries that are put through there?

MR. HEWARD: Here they are right here.

MR. McRUER: I mean to make up operating --

MR. HEWARD: I am just showing the returns.

MR. McRUER: If it is made up after there were adjustments made it does not mean very much.

MR. HEWARD: These are the actual figures from our books here.

MR. HOWSON: Anything that Mr. Davies gave me

in regard to the particular mills showed substantial adjustments of one kind and another.

MR. HEWARD: Well, my lord, if we go through it we find some quite big discrepancies through there such as power and fuel; there is a discrepancy of 14.6% between our standard cost system and our general books of account. Then, mill general expenses, that was a very small figure, there was a difference there between $2469 and $3805, showed 57%, but what we submit is that the factors which can be expected to reconcile closely are those which are proportionately to the scale of operations such as raw materials, wages, processing materials, whereas other ~~xx~~ items such as taxes, depreciation, etc., of a fixed nature, cannot be expected to reconcile, if the mill operated short time, and we know it only operated 74% of the standard in that year. Therefore since standard costs are based on standard operation when we apply these costs against short time operations we get much smaller figures than the actual figures shown in the profit and loss account.

THE COMMISSIONER: Why would there be such a difference between the two figures in regard to depreciation.

MR. HEWARD: Because, my lord, of the smaller volume would only absorb the proportion -- the standard costs, you see, are at 90% of operations and when the depreciation remains the same on the general books therefore each particular unit has to absorb more of the overhead.

THE COMMISSIONER: Because your estimated profit came down considerably, didn't it?

MR. HEWARD: Yes, that would be the result, my lord.

THE COMMISSIONER: It depends mainly on this discrepancy in the depreciation this year.

MR. HEWARD: Well, depreciation and other fixed charges, my lord, such as taxes, and for instance, the heating of the mill which does not vary in the same degree as the amount of production. So that these things which carry on the same which we class in a sort of general way as overhead, when the mill is operating at less than the percentage of production that is predicated for the standard cost system therefore the per unit cost of production must go up.

THE COMMISSIONER: Yes, I see your administration and supervision went up from $14,562 to $19,541, but your selling and distribution came away down $20,000.

MR. HEWARD: Of course, we had less to sell, I suppose.

THE COMMISSIONER: Yes, that is why.

MR. McRUER: Well, it will work the other way too, won't it? Here is one where you had production 132% of the standard. When you say our costs are so and so we find they are not.

MR. HEWARD: That is because the Magog Mill, we were operating something about 32% above standard in there when the test was made.

MR. McRUER: That is in 1936.

MR. HEWARD: Up to March 1st, 1936.

MR. McRUER: That is the year you needed new machinery at the Magog mill.

MR. GORDON: This is the cotton mill, not the print mill.

MR. HEWARD: So therefore you see, my lord, our costs would go down because each piece -- and they did go down under 14-A -- each unit of production had less overhead to absorb.

THE COMMISSIONER: Well, we will adjourn for a few minutes.

-- The Commission adjourned for a short recess.

-- On resumigg.

MR. HEWARD: Now, my lord, as to another subject; I want to deal with the question of writing up of assets. During the course of his oral argument Commission Counsel made the statement --

THE COMMISSIONER: Is this in your factum again?

MR. HEWARD: No, my lord. This is in answer to a statement made in oral argument by my learned friend, and it is a statement with which we take most emphatic issue. The statement is that it is immoral for a company to write up its assets --

MR. McRUER: No, no, no. I never said that.

MR. HEWARD: I think so.

MR. McRUER: What I said was this, that if you write up the assets on account of an accretion in values which was likely to decline again it was an immoral thing to issue shares as against that and say "there now, we have so much in assets of this company",

, but built up by an accretion of values due to an inflated period and they decline again and they leave a vacuum you would have your stock outstanding in the hands of the public and have cheated them.

MR. HEWARD: I must have misunderstood my learned friend because he said it was immoral and I thought he meant in writing up of assets. I would say it would not be proper to write up assets for temporary fluctuations. I do not think that a company from year to year should change its values to follow temporary fluctuations in value, but it is quite proper, in my submission, for it to write up into the company's books changes in value resulting from a permanent trend in property values.

MR. McRUER: If there is such a thing.

MR. HEWARD: And before issuing new stock, or before re-organization it is most important that they should know what is in the new company.

THE COMMISSIONER: Before issuing new stock.

MR. HEWARD: Before issuing new stock; our write-up was not made before the issue of stock but was made before re-organization.

MR. McRUER: There is an issue of stock immediately following, following re-organization. The shares were split three for one.

MR. HEWARD: The shares were split three for one, but that was not an issue of new stock. It was just a splitting of the stock that was in the hands of the shareholders.

THE COMMISSIONER: Was no new capital taken in

at the time?

MR. McRUER: Yes, new capital was taken in immediately following.

MR. GLASSCO: Before re-organization.

MR. McRUER: Oh, before re-organization; well then, a few years later, at any rate.

THE COMMISSIONER: When was this new capital taken in, what year, 1922, wasn't it?

MR. HEWARD: 1922.

THE COMMISSIONER: The reorganization was in 1923?

MR. HEWARD: The reorganization was in 1923, my lord. Now, I submit therefore there is not much between us, between my learned friend and myself.

THE COMMISSIONER: When the new capital was taken in what was the motive of it, what was behind it?

MR. HEWARD: It was cash, my lord.

THE COMMISSIONER: I know, but why; was it on account of that valuation?

MR. HEWARD: Pardon?

THE COMMISSIONER: Was it on account of the valuation?

MR. McRUER: In 1920.

MR. HEWARD: Well, we knew -- everybody knew that values had gone up, and we knew we had an appraisal there, and the purpose of the issue of new stock was to get working capital as far as we can say, because that is what it was used for. It was to reduce bank loans.

THE COMMISSIONER: To reduce bank loans.

MR. GORDON: That is what the evidence seems to show, my lord, that is where it was applied.

MR. HEWARD: But I misunderstood my learned friend, then. I thought he meant it was immoral in any case to write up assets, and I do take emphatic issue with that.

MR. McRUER: Oh no, I think I was quite clear, if you read my argument, as to what I said.

THE COMMISSIONER: The only thing of note, that is worth while knowing at all now, is what was told to those who were investing their money at that time? What was put forth to them?

MR. McRUER: Have you got a copy of the prospectus, or anything that was sent out to the shareholders at that time?

MR. HEWARD: No, I haven't.

MR. McRUER: Is there such a thing on record?

MR. HEWARD: I think it was a sale at par to the shareholders. They gave them the right to subscribe at par.

THE COMMISSIONER: I know, but if you could tell us what the prospectus, for instance, would say —

MR. HEWARD: Certainly the directors knew at the time --

THE COMMISSIONER: You must have convinced the shareholders it was worth their while to put in this new capital.

MR. HEWARD: I think, my lord, the answer to that lies in the fact that the shares were selling

above par at the time, and they did not need much inducement to avail themselves of the right.

MR. McRUER: The appraisal was there since 1920.

MR. HEWARD: This was a sale for cash, of course, and they got them at par when the existing shares of the company were selling at higher than par.

MR. McRUER: That may have been on account of the appraisal.

MR. HEWARD: They would draw their inference from the fact that the shares were selling higher than par and they were getting the right to subscribe at par.

(page 17875 follows)

Now, my lord, on pages 180 and 182of my friend's Brief is contained a calculation purporting to show the position that the Dominion Textile would have been in had it paid its bond interest, its preferred dividends and common stock dividends of 20% per annum on the amount of $500,000 cash which he alleges was all that the Company originally received for its common stock or, rather, all that was originally invested in the common stock or put behind it. I submit this calculation should be ignored for several reasons. The first is that it relies on the valuation, which I submit is fallacious, that all that the Company received for its original issue of common stock was $500,000. The second is it includes among the earnings of the company the so-called secret inventory reserve which we submit was in no sense a secret inventory reserve but a valuation of the inventories on a proper and conservative basis, and in the third place it is based on the supposition that there was over-depreciation and betterments charged to profits amounting to $16,011,356.89. You will see that the second last figure on the inside columns, my lord. And I therefore submit that that computation is based on fallacious premises and is therefore of no value. I think I should point this out inregard to it - I think this is a fair statement - that even if the premises onwhich the computation is based were not fallacious the computation would in no way support commission counsel's submission at the end of his

argument that protective tariffs should be reduced. A Company in the fortunate position shown by this computation might be able to carry on a profitable investment business but it could not manufacture and sell textiles except at a loss if the tariff wase not such as to equalize the difference in cost of manufacture in competing countries. I mean it would have to use its revenue for that purpose. It would be better for it to go out of business or go into the business of investments.

MR. McRUER: No, my case was that a company ought not to be permitted to enjoy a tariff that would enable it to earn over 20%. I would limit you to 20% but I say if you find it earning over 20% for a long period of years, but when they come now and say: We have done it in the past, we want to do it in the future - it is entirely different story.

THE COMMISSIONER: You do not say you have done it in the past.

MR. HEWARD: We do not say we have done it in the past and we do not say we want to do it in the future.

MR. McRUER: You know, you did earn ---

MR. HEWARD: I submit we did not.

Now, on page386 of his Brief my friend in referring to the president's statement to the shareholders of the Company in 1936, that taxation amounts to $42.00

per share on the company's preferred shares, that statement ---

THE COMMISSIONER: Where is that?

MR. HEWARD: On page 386. The statement was :

"While the Company has an issue of preferred stock, it is evident that the Governments of one kind and another are the real preferred shareholders as their takings this year represent earnings of $42.00 per share on the Company's preferred shares."

My friend criticized that statement by saying that it does not disclose to the public that those taxes are all paid by the consumers.

THE COMMISSIONER: In the first place he said of course they are all paid by the consumers.

MR. HEWARD: He says that and I was just going to deal with it. He says:

"In making this statement to the public, indicating that the Company is specially burdened with taxation, it, however, is not disclosed to the public that these taxes are all paid by the consumers."

That is the statement on page 386. Now, my lord, I submit that it is evident that all the money which a company receives for its product is paid by the purchasers of those articles, and it is this money which is used to pay the expense of the business including labour and material and taxes, and if anything be

left over after payment of these expenses, it is available for the shareholder, and it does not follow because there is something left for the shareholders that the consumer has been improperly called upon to pay expenses or to pay the amount which is left over for the shareholders. That, I submit, would be the case only if the consumers had been obliged to pay an unreasonable price for the goods either because the costs of production were too high or because the profits thereon were unreasonable, and I submit that the facts I have put before your lordship show that this company is well managed because the costs of production are not too high and the figures showing the returns on the sales dollar establishes that the profits have been kept at a very low level.

Now, as to the criticism which appears on the same page that the Company passed on its income tax to the consumer that, my lord, is one of the charges which must be met before there is anything available for the shareholders, and Mr. Kellock has dealt with that and pointed out that this is apparently recognized by the Dominion Companies Act,--

MR. McRUER: Oh, no.

MR. HEWARD:--where it shows net profits after income tax or after reserves for income tax, but the income tax in question is a tax which is imposed on the company and not on the shareholders. That is quite clear from provisions of the Income War Tax Act

itself.

THE COMMISSIONER: While the shareholders pay theirs on their dividends.

MR. HEWARD: Yes. The Income tax imposes it, as your lordship will remember. First of all sub-section one imposed an income tax on every person residing, etc. in Canada, and then sub-section 2, imposed an income tax on corporations or joint stock companies, and they are all a different rate.

THE COMMISSIONER: On their profits?

MR. HEWARD: On their profits, not on their income.

THE COMMISSIONER: There is a difference between an individual and a company. As a matter of fact it is only their profits that are called income. If there is no profit there is no tax. You yourself as a citizen you pay on your income whether you have made a profit or not.

MR. HEWARD: If I have any income I pay.

THE COMMISSIONER: Mr. Kellock pointed out the other day that this tax insofar as corporations are concerned is rather similar to a tax in England, which is not called income tax but---

MR. HOWSON: Business profits War Tax.

THE COMMISSIONER: Is the word "War" still in it in England?

MR. HOWSON: I think it was in England at that time. They have not it in effect in England to-day.

THE COMMISSIONER: It is a tax on your profits,

that is all.

MR. HEWARD: In England they deduct the tax which the Income shareholder has to pay and no separate tax on the company's income.

MR. McRUER: That case in England was a case on the question of commission which was evidently based on the amount of net profit which the company earned, and for the purpose of the case they decided that the amount of commission ought to be reckoned on the net profits of the company after the income tax. It is a different thing in determining what is under our income tax Act a profit and a tax on the profits. Of course, my criticism here is that they are telling the shareholders and the public, complaining loudly about their taxation and it was the consumers that were paying it.

MR. HEWARD: All our moneys come from the consumer.

MR. McRUER: That is not what you are saying.

THE COMMISSIONER: All these taxes form part of the selling price of your goods.

MR. HEWARD: All of them form part of the price.

THE COMMISSIONER: Perhaps you might say that the governments make you go out and collect taxes for them.

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: The figures I got last year were that the Company we paid $819,541 of taxes to various governments.

MR. HEWARD: Yes, my lord, I think that is correct. It was stated in the last Annual Report.

THE COMMISSIONER: The answer is, of course, that came from the consumers.

MR. HEWARD: It must. They are the only places we get money from.

THE COMMISSIONER: They pay the taxes by buying your goods. Well then, we may say the government made you tax gatherers for them.

MR. McRUER: Will probably ask the government for a commission for collecting these taxes.

MR. HEWARD: That would be useful. My friend says we did not disclose it to the public. I say that when we publish a report like that we do publish---

MR. McRUER: No, it is the manner in which you put it. You say we are carrying on under the inimical conditions.

MR. HEWARD: If we had to collect it out of our customers --

THE COMMISSIONER: As a matter of fact this statement would seem to me - that if we did not have to pay this $819,000 worth of taxes this year we would have a larger amount to distribute for dividends.

MR. HEWARD: Might be able to cut down our selling price.

THE COMMISSIONER: That is what you say but the statement as put there would seem to mean the contrary - that the shareholders were suffering on account of these taxes because they have had to pay so much, but, as a matter of fact, you say it is the consumer who is

suffering.

MR. HEWARD: I think that probably both are suffering. The

THE COMMISSIONER: According to what I understand so far the way you deal with your income tax is this: If you had not to pay all these income taxes you would have sold your goods cheaper.

MR. HEWARD: I think so, my lord.

THE COMMISSIONER: That must be your argument.

MR.HEWARD: Undoubtedly. For instance, our raw material starts out with a 3% excise tax on it. Then there is another point, my lord. It was suggested that there was some analogy, our adding this income tax to our selling price, between that and a person who has somebody come along and pay the income tax for him. That, if that is so, we should be taxed again.

THE COMMISSIONER: No, that shows the difference between you and the individual. The individual cannot do that. If you give him $20,000 a year salary and then in addition agree to pay his income tax, he would be taxed on the $22,000. That is the real income tax. It is not so with you.

MR. HEWARD: The tax in our case, my lord, if we add it to the sales price of the goods, as Mr. Gordon testified, we try to get it out of the goods: "Q. Your sale prices over the period are designed to make a profit? A. Yes, and to pay income tax---"

THE COMMISSIONER: The whole of it, as I understand,

you are complaining about the taxation you have to pay and you are passing them on to the consumer even including this so-called income tax.

MR. HEWARD: We try to. We design our prices--

THE COMMISSIONER: Those are the facts.

MR. McRUER: That is right.

MR. McRUER: I am not too sure it might not be argued on behalf of the Income Tax Department that you having passed this onto the consumer you are liable to be taxed.

MR. HEWARD: No, that is the point I want to make. If we had no income tax and I tried to get $5 a share dividend I would have only to earn $5 but if there is an income tax of 15%, that is 75¢, in order to get my $5.00 a share dividend clear I must get profits of say, $5.85 or something of that kind, $5.90 and I am taxed on the whole of that $5.90.

THE COMMISSIONER: That is right. My main interest in it was in connection with Canadian Cottons Company, Doctor Dawson, who raised the point that this is all secret and sacred. This is their income tax and must not talk about it. That is all blown to pieces. You make the consumer pay it. It is no more secret than your municipal tax or your excise tax on raw cotton or any other tax you pay.

MR. McRUER: Part of the cost accounting.

MR. HEWARD: Now, there is one statement which is made by my learned friend contained on page 14555 of the

transcript of the argument, and I think it was made without full knowledge of the facts, and I am sure that when I point out the facts to him he will freely withdraw the statement he made because otherwise it imputes motives of dishonesty to those in charge of the Dominion Textile and also those in charge of the Montreal Cottons Limited, and that statement is the following - I have copied the argument of Mr. McRuer:

> 2MR. MCRUER: However, the Dominion Textile Company is in this position that it is operating this Company and buying from it ...."

MR. McRUER: What is the reference?

MR. HEWARD: Page 14555. Now, Mr. McRuer said: "However, the Dominion Textile Company is in this position that it is operating this company and buying from it,...."

meaning Montreal Cottons.

> "....and buying from it, it is the majority shareholder of it and it is gradually acquiring shares, and does not the interest and duty conflict, and one is in trying to get complete ownership of the company at as low a price as possible and that way to pay as little dividends and buy from it at as low a price as possible..."

"MR. HEWARD: What do you base your statement on that "it is gradually acquiring shares of the company?

> "MR. McRUER: Are they not acquiring shares right along?

"MR. HEWARD: There has been no evidence of that." Now, there was no evidence in the record, my lord, but I felt in view of this I should investigate it because it does imply that we might be bearing down on this Company in the hope of squeezing it out of existence or getting hold of all the shares and the facts are as follows:

The Dominion Textile Company had acquired voting control of the Montreal Cottons Limited by the end of 1930. That has already been in evidence. By the end of 1930 it had acquired 15,034 common shares out of a total of 30,000 common shares outstanding. The capitalization is 30,000 common shares outstanding and 30,000 preferred shares which are non-voting. It had acquired these 15,034 shares by the end of 1930. So that at that time in 1930 it had acquired voting control. In 1931 it acquired only 1205 more shares at an average price of $90 per share. The high price of shares traded in on the exchange during that year was $95.50 and the low price $83.50. Since then- that is since 1931, it has only acquired 204 common shares, 75 of these being acquired in 1932 at an average price of 52 when the high price for the year was 75 and the low price 45, and 129 shares in 1932 at an average price of 18 when the high price for the year was 25 and the low price 16. In the last three years, that is, 1934, 1935 and 1936, no common shares have been acquired whatsoever, although these

could have been acquired at very low figures. The high and low prices of Montreal Cottons common shares on the Montreal Stock Exchange during those three years were 1934, high 45 - low 20; 1935, high 30 - low 20; 1936, high 38 - low 26. They were all running at a very low figure at that time.

Of the 30,000 preferred shares outstanding Dominion Textile Company owns only 406 shares, and its holdings of common amount to only 16,443 shares out of 30,000 outstanding, and here it should be remembered that in order to acquire any more useful stock control than Dominion Textile Company now has it would have to acquire complete stock ownership of all the common and all the preferred shares, a total of 60,000 shares, whereas we own less than 16,000 shares. I submit that the figures placed before your lordship shows there has been no attempt to acquire such ownership, and three years gone by with shares running at very low value and we did not attempt to buy them up.

MR. McRUER: They are about 45 now. I do not want any suggestion imputing anything in the nature of immorality to the management of either of these companies to go out. I did not intend to do that, and I did intend to say in my reply that any suggestions-- human nature is human nature, without any immoral motives in connectionwith it, and where you have a conflict of interest and duty it is always very hard for people to work both ways and the result of the earnings of the

Montreal Cottons Company in the year 1936 have rather shown that that company has been doing pretty well lately and I am going to ask my friend to file a copy of the Annual statement for the year 1936.

MR. GORDON: I will have it in the morning.

MR. McRUER: They have gone up to $230,000 net profit in the year.

MR. HEWARD: I thank you, Mr. McRuer.

MR. McRUER: I do not want anybody to think that I made any suggestion of immorality in connection with any of these gentlemen.

MR. HEWARD: You see at the present time that the situation we are in there is no conflict between interest and duty. Our interest is to get the company into a position where it can pay dividends on our holdings, on our 16,000 shares. Up to 1932, for instance, we were getting $96,000 a year on our shares as dividends, which we have not got since then, and my friend has pointed out the better showing that we have made this year. I think that the history of the net profit on sales, before bond interest and dividends, from 1930 on shows that our management has improved the position of the Montreal Cottons. In 1930, the year in which control was acquired, there was a loss of $304,388.52, with no provision for depreciation.

MR. McRUER: But rather substantial appropriations to repairs.

MR. HEWARD: In 1931, the loss was reduced to

$228,000 odd. In 1932, the loss was reduced to $47,000 odd. And in 1933, there was a small profit of $13,000 odd. In 1934, there was a slightly larger profit, namely, $36,000 odd, and in 1935 there was a profit of $330,513.30. In 1936, we are going to have the figures tomorrow.

MR. McRUER: Would we be able to have tomorrow when we get it the charges to depreciation, charges to operations for repairs and betterments and charges to operations for supplies including equipment to complete the table on 253 of my brief, to bring it down to date,

MR. HEWARD: Montreal Cottons?

MR. McRUER: Yes. If we have it sometime before we get through with this argument it will do.

MR. HEWARD: Just for 1936, you mean?

MR. McRUER: Yes.

MR. HEWARD: Now, my lord, just one small question, my friend has called attention to the fact that amalgamation or mergers of existing companies are detrimental to the wage-earner in that we have closed mills, and called attention to the number of mills which have been closed in different centres of Canada, although at the same time he pointed out that we had enlarged or started up mills in other centres. In this connection, insofar as Dominion Textile is concerned, it should be pointed out that this does not necessarily mean that less people are employed because, as Commission Counsel pointed out, these

plants have been extended and enlarged in other sections where mills are operated by the Company, and also it should be pointed out that the machinery in the closed plants is usually transferred to the other plants of the Company, and it will be remembered that in regard to the transfer of the Verdun Machinery to Sherbrooke that a large number of employees were moved from Verdum, to Sherbrooke. Mr. Kershaw gave the evidence in that regard. Therefore the closing of a particular plant at an unsuitable locality does not mean necessarily that any smaller number of persons are employed in the aggregate, and the history of the Company since its inception has shown generally, not uniform, a general trend of increase in the number of employees employed. That will be fully dealt with by my partner, Mr. Ballantyne, when he deals with that part of the Brief.

Then, my lord, on pages 199 and 200 of my friend's Brief will befound two tables purporting to show as regards a group of American companies and Canadian companies and the Dominion Textile Company (a) the return on total investment in operation after eliminating goodwill and (b) the return on capital stock Equity after eliminating goodwill. The first table is on page 199.

THE COMMISSIONER: In your case, after eliminating the appraisal write-up.

MR. HEWARD: No, my lord. I think the first one

takes it---

THE COMMISSIONER: No.

MR. HEWARD: And the other one must take in the appraisal write-up, I don't know.

MR. McRUER: No, that is eliminating all appraisal write-ups, both in the American and in the Canadian.

MR. HEWARD: First of all elimination of intangibles as part of the assets of the Company but, of course, open to challenge, but they have not done it in both cases but aside from this it is submitted that the tables are of no value in regard to Dominion Textiles because they are based on the fallacious ---

THE COMMISSIONER: We are back to the $500,000.

MR. HEWARD: Yes, back to the $500,000. That is the story. At least so Mr. Howson told me.

MR. McRUER: That is not on the $500,000. That is on the capital invested.

MR. HEWARD: You take the first investment on the common stock at the outset as being $500,000.

MR. McRUER: Yes, but add to that your accumulated profits.

MR. HEWARD: Oh, yes, I do not think this is all based on $500,000, but you do treat the original investment as being $500,000. All that the Company received in intangibles---

MR. McRUER: We still disagree with you in respect to that $2,100,000, and we intend to continue.

MR. HEWARD: Now, my lord, I come back to my

Brief again and I want to pass to Division 5, "Suspension of operations in the Rayon Division of the Sherbrooke plant," page 61. Mr. Ballantyne is going to deal with Division 4.

THE COMMISSIONER: We will adjourn now.

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-- The Commission adjourned at 4.45 P.M. to resume Tuesday, March 9th, 1937, at 10.30 A.M.

ROBT. BRYDIE
CHARTERED STENOGRAPHIC
REPORTER
TORONTO - CANADA

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

ONE HUNDRED AND TWENTY-SIXTH DAY

(March 9th, 1937)

A R G U M E N T

Robert Brydie,
Official Reporter.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

Appearances:

J.C. McRuer, K.C. and E. Beauregard, K.C.	Commission Counsel,
R. L. Kellock, K.C.	For Primary Textile Institute.
C.G. Heward, K.C. Aime Geoffrion, K.C. and C.T. Ballantyne,	For Dominion Textile Company,
S.G. Dixon, K.C.	For Courtaulds, Limited,
L.A. Forsyth, K.C.	For Canadian Celanese Ltd. and Canadian Silk Products Limited.
Thos. Tremblay, K.C. and J.H. Hebert,	For M.E. Binz Co. Ltd.
Francois Lajoie, K.C.	For Sabasso Cotton Co.

-- oOo --

Ottawa, Ontario,
Tuesday, March 9, 1937.

-- The Commission resumed at 10.30 a.m.

ARGUMENT BY MR. HEWARD, K.C.(Resumed):

My lord, at the adjournment yesterday I was just about to start discussing suspension of operations in the rayon division at Sherbrooke, which is division five on page 61 of my brief. The matter is not one of the most important which comes before the Commission and therefore I am going to try to reduce my remarks on it to a minimum this morning with a view to touching on two more important subjects a little later and trying to live up to my promise to finish in the middle of the day. Your lordship won't have much faith in my promises because I promised at the outset not to be unduly long, and I have been very long.

THE COMMISSIONER: The middle of the day means the middle of some day.

MR. McRUER: Don't be too specific as to what day.

MR. HEWARD: I will tie myself right down, my lord, and state I mean the middle of Tuesday, the 9th of March.

THE COMMISSIONER: Well, I am not binding you, Mr. Heward.

MR. HEWARD: That is what I am directing my efforts to. I have dealt with it at considerable length in my factum, but I only want to touch on the

more important features as they seem to me this morning.

First I think it is best to have before us the chronological sequence of events which I have set out on pages 61 and 62, the more important events. On January 15th, which is a Wednesday, the decision was made by Mr. Gordon to close down the division and instructions to that effect were sent to Sherbrooke. On January 16th, that is Thursday, Mr. Gordon left for the United States on a business trip. On January 17th, Friday, the rayon division closed. On January 18th, Saturday, the employees were paid for the preceding fortnight instead of being paid the following week as was the usual practice, and on the same date came the telegram from the City Council to the Prime Minister and the Minister of Finance. On January 23rd Mr. Gordon returned to Montreal from the United States and made the decision to resume operations on a part time basis on January 29th and communicated that decision by telephone to Mr. Kershaw who was at Drummondville at that time. On January 24th letters confirming that decision and containing instructions as to the scale of operations were sent to Mr. Kershaw, and employees in Sherbrooke were informed orally and letters were sent to the employees outside of Sherbrooke. On January 27th we have the Order in Council of which Mr. Gordon was informed about midnight, and on January 28th the funeral of King George the Fifth. I mention that because that was one of the reasons why the plant was not opened before then. On January 29th the rayon division resumed on a part

time basis.

THE COMMISSIONER: Had it been going on a whole time basis prior to the closing?

MR. HEWARD: No, my lord, up to that time it was working only 48 hours a week. That is four days of ten hours and one day, Friday, of eight hours.

THE COMMISSIONER: What was the part time on the resumption?

MR. HEWARD: I deal with that a little later, my lord. I have got the notes a little further on.

THE COMMISSIONER: It was less time?

MR. HEWARD: Less time, my lord.

THE COMMISSIONER: You say the former time was what?

MR. HEWARD: You will find that, my lord, in the next paragraph.

THE COMMISSIONER: Alright, then.

MR. HEWARD: Where I point out --

"That the actual usual working period during which operations were suspended was very short. The rayon division was closed for eleven days only, but as at the time of the suspension of operations the rayon division was working only forty-eight hours per week, that is, four days of ten hours and one day(Friday) of eight hours, with no work on Saturday, and as the eleven days included two Saturdays, two Sundays and a legal holiday, namely, the day of the late King's funeral" when all the company's plants were closed, "the working days which were lost

"by the operatives as a result of the suspension of operations were five days of ten hours each and one day of eight hours, or a total of fifty-eight hours work".

THE COMMISSIONER: You say "which is three hours more than the normal working week".

MR. HEWARD: Three hours more than the normal working week, which is 55.

THE COMMISSIONER: But they had been going at 48.

MR. HEWARD: 48. Now, the next point, my lord is "the decision to reopen the rayon division was made and instructions were given orally by Mr. Gordon to Mr. Kershaw on the 23rd of January". That is four days before the Order in Council, and then if your lordship will pass to page 63 there are just one or two points I want to touch on there.

" The number of employees, male and female, employed in the rayon division, Sherbrooke, at the time of the suspension of operations was about four hundred".

THE COMMISSIONER: Pardon me a moment.

MR. HEWARD: Page 63, and I mention that because you will remember there was a mistake in the telegram from the City Council in that they referred to one thousand hands.

MR. McRUER: That probably was due to the fact they may have assumed it was the whole plant that had closed instead of the rayon division.

MR. HEWARD: Yes, that was probably what gave

rise to the mistake. At least, I don't know whether it was, but that is quite a reasonable explanation. Then, the next point was that

"--two hundred and nineteen of the employees working in the rayon division in Sherbrooke had been brought to Sherbrooke from Verdun. The evidence shows that sixty families had been brought to Sherbrooke from Verdun, representing about one hundred of the two hundred and nineteen employees who had been brought from that city."

That has an important bearing on the situation that arose during the suspension of operations and that is why I mention it, credit facilities.

THE COMMISSIONER: Yes.

MR. HEWARD: Now, my lord, I don't think I need to go in detail into the tariff situation in regard to Japanese goods except to say, as I said before, that there is a mistake in my factum there. I said that --"Prior to January 1st, 1936 the fixed exchange value of the yen was 49.85 cents although the current rate of exchange in existence just prior to January 1st, 1936 was about 29 cents to the yen".

Now, as a matter of fact --

THE COMMISSIONER: It was 41.51 at that time.

MR. HEWARD: As a matter of fact it was 41.51 from July 20th.

THE COMMISSIONER: It had been 49.85.

MR. HEWARD: It had been 49.85 up to July 20th and from July 20th to the 1st of January, or to the

31st of December it was 41.51, but that was the period of the trade war, at least, not all of it, from August 3rd until December 31st was the period of the trade war when there were very little importations coming in because of the surtax of 33-1/3%. Then, the changes took place, as your lordship knows, by which the exchange rate was made 39.5 cents, and the fixed valuation of $1.25 was removed.

THE COMMISSIONER: That is after January 1st.

MR. HEWARD: That is after January 1st, and another modification was the cancellation of the surtax, of course, which had been imposed in the course of the tariff war. So we had the situation of the very drastic alterations in duties, and I am coming to one feature of that which I want to discuss in a moment.

Now, my lord, dealing on page 66 with the reason for the suspension of operations the first thing I have to point out is that Mr. Gordon himself has made it clear that the decision to suspend was made by him and by him alone, and he has accepted full responsibility.

"He has stated emphatically many times in his evidence that the purpose of the suspension was to mark time until the situation in regard to Japanese competition could be clarified and in order that the Company might have some weighing period in which to determine just how things were going to develop, in order to make

"up their minds as to future policy".

We find this in the third paragrapn on page 66, that I am reading from.

THE COMMISSIONER: Did he not state then, at the time, that he was closing the mill down indefinitely and that he would open it again when he saw his way clear to making sales of the products?

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: Those are the two statements he made at the time of the closing.

MR. HEWARD: I am going to deal with those two statements in a moment, my lord. He also stated that--

"--he tried in closing down the mill to leave the mill in a position where the Company would be able to resume manufacturing if it were possible to do so, or if, on the other hand it were not possible to do so, would at least have conserved its raw material as far as possible."

THE COMMISSIONER: What meaning is there in those words "if possible to do so"?

MR. HEWARD: He was not sure whether he would be able to carry on with the lines that he had then on the looms, and he had two alternatives, or three really.

THE COMMISSIONER: I am trying to get now what you mean when you say he did not know whether he would be able to carry it on.

MR. HEWARD: Well, if competition developed as he feared it would he would not be able to sell

the goods.

THE COMMISSIONER: Did not that look, Mr. Heward, did not that then seem to indicate a lengthy wait, more than a matter of a few days?

MR. HEWARD: It might be, my lord, but the point is then he did not run off the looms.

THE COMMISSIONER: I know.

MR. HEWARD: He wanted to see how the situation would develop, and I am coming to that in a moment because the order situation was one of the things which alarmed him, and one of the things which improved when he re-opened. He wanted to see whether the situation would improve, and he wanted to leave the mill in statu quo, that is to say, he did not want to make a decision at this time to run off the looms, and he did not want to carry on with the looms running, with the manufacture, because as I am going to point out he had already a tremendous stock of greige.

THE COMMISSIONER: If you could advise me more closely what is meant by "until the situation should improve", for instance; all these things seem to me to indicate they are waiting for something that is going to take some time to develop, closing indefinitely and re-opening when he could sell his products.

MR. HEWARD: It might, my lord; not when he could sell them, when he thought he could sell them.

THE COMMISSIONER: Waiting for the situation to improve; that all sounds like a matter of more than

two or three days.

MR. HEWARD: Yes, I think perhaps -- as a matter of fact it was more than two or three days, it was eleven days, but he feared it might be more than 11 days. It was quite indefinite and he did not know how long it would be.

THE COMMISSIONER: Does he tell us in his evidence how the situation did improve?

MR. HEWARD: Yes, my lord, and I am coming to that.

"He denied emphatically that he closed down the mill in order to make a demonstration against the government and declared that his decision to close down was made from a purely operating standpoint."

I have cited the evidence there on these subjects, my lord, right opposite that paragraph, not cited it, referred to the evidence. I am reading from page 66.

THE COMMISSIONER: Does he explain anywhere and do you explain his letter to Mr. McKinnon?

MR. HEWARD: Yes, I am dealing with that a little later. I think you are just about two or three thoughts ahead of me.

THE COMMISSIONER: No, it all arises out of what you have just stated.

MR. HEWARD: Yes, my lord, I am going to develop that.

"It is submitted that from the point of view of a prudent administrator in charge of the rayon manufacturing operations of the Company the

"suspension was a reasonable and justifiable step to take", from the point of view of operating and selling, and here are the reasons which I think I should point out to your lordship. The changes in the tariff had come about and four days later Fisher & Company, a large wholesale importing house in Toronto had sent letters to the trade throughout Canada quoting prices for certain Japanese rayon goods far below the prices at which the Dominion Textile Company or Montreal Cottons could manufacture them. Mr. Gordon on January 4th had also seen quotations on Japanese goods made by Mitsuit & Co., agents, to the H. Brown Silk Company of Toronto, and he had also seen, my lord, some Japanese CIF prices for New York delivery on which he had made calculations -- this is not on January 4th, but before he decided to close down-- Japanese CIF prices for New York delivery on which he had made calculations to establish the Japanese net prices without insurance, carriage, etc., and of which he had made a careful analysis to establish their exact construction and their relationship in value to the goods being manufactured in Sherbrooke. I find I have omitted the references to that in my factum and it is to be found in the evidence, page 2064 and following.

Now, my lord, I did make a stupid mistake in my factum on this page.

THE COMMISSIONER: Pardon me a moment, the evidence where?

MR. HEWARD: The evidence page 2064 and following

in regard to the Japanese prices. I made the most stupid mistake in my factum here, my lord, on page 67. You will see there that I give a table of the laid down values in Toronto with all duties and charges paid, and the costs of construction of the corresponding Canadian goods. It is tabulated, my lord, and it has been pointed out to me that Mr. Gordon did not know of all these discrepancies, these variations of prices that are mentioned here at that time, that these are not the ones he knew. It has been pointed out to me that he knew the two bottom ones which were the ones quoted by --

THE COMMISSIONER: That is 5(a) and 5(b).

MR. HEWARD: 5(a) and 5(b), and three others which he had found from the New York prices to correspond to his own goods at Sherbrooke, but not these.

THE COMMISSIONER: Not one, two, three and four.

MR. HEWARD: Not one, two, three and four; so, my lord, I have given my learned friend a new table showing the comparative prices on that page, really what he did know, and it should replace the whole of this tabulation.

THE COMMISSIONER: Alright.

MR. HEWARD: I gave you that, I think, yesterday, Mr. McRuer?

MR. McRUER: Yes, I have it here.

THE COMMISSIONER: Then I will just strike out all that table.

MR. HEWARD: Strike out all that table and put that page in. I am sorry about that mistake, but I

took the wrong exhibit.

Now, there is one point, my lord, in connection with these comparative prices which is quite important and that I deal with in the paragraph just below the table which has been struck out.

" In connection with these landed prices, it is noteworthy that rayon goods which were formerly invoiced at Japanese yen prices representing about $0.80 per pound" --

Now, I think the lowest which we had during the previous year was 69½ per pound.

THE COMMISSIONER: Do you wish to change this 80?

MR. HEWARD: No, because that was the general run, about 80 cents per pound --

"-- were now quoted at yen prices of about one-third the former level, representing only about $0.25 per pound. Neither the government nor the manufacturers had any reason to anticipate a drastic change in the invoice values of this kind. It was naturally assumed that the declared value would be the same as before. How drastic the results of that change were, may be seen from a comparison of the laid down value in Toronto after January 1st, 1936, with all duties and charges paid, of Japanese 27" plain taffeta",

which is the second one on the new table I have given you. The laid down value in Toronto was only 95-9/10 cents per pound, which is only about 16 cents, or 15-9/10 cents above the invoice which the Japanese exporter had used prior to that time of 80

cents. So that you will see, and you will remember that the Customs Department issued a special circular in that regard. Now, I submit --

> "It would have been obvious to Mr. Gordon from his knowledge of Japanese costs of rayon manufacture, the price levels at which the goods quoted by Fisher & Co., and Mitsui & Co., were being offered, the price levels of goods quoted on in the American market and his general knowledge of the price levels at which Japanese rayon goods were sold in other countries such as Australia, that the level of prices of other goods besides those actually quoted on by Fisher & Co., and Mitsui & Co., would be correspondingly low and that the Japanese could easily undersell Canadian costs of manufacture."

In this connection there is one point which seems to me to bear that out although I realize that it is difficult to compare 1936 with 1935 because there was a trade war on for part of the time, a tariff war. I think Mr. Gordon's fears of increasing competition and serious competition were well founded because we see that in the first ten months of 1936 Canadian imports of artificial silk and mixture fabrics amounted to 291,085 pounds as against 38,689 pounds in the corresponding period of 1935. In that corresponding period, however, my lord, there were three months of the tariff war so if we had given them a 30% write-up on their thirty-eight thousand it would amount to a little over -- just 42,000.

THE COMMISSIONER: Well, the other figure you gave by way of comparison is relatively much larger than thirty-eight thousand, but in the absolute sense is it a large figure?

MR. HEWARD: In the absolute sense, no, my lord, but I think it denotes an increasing trend.

THE COMMISSIONER: Of course, that was no doubt the intention of the trade agreement, to increase business between the two countries, but would you say that the importation of 291,000 pounds in ten months was a large amount?

MR. HEWARD: No, my lord, not compared with the production, I don't think it was. I will be quite frank with you, but I think it means that there may be going on here what Mr. Kellock has pointed out has gone on in other places, the gradual absorption of the market by Japanese goods, and there is no doubt when we couple that with the fact that they can lay them down --

THE COMMISSIONER: Pardon me a moment; you say in other places; the other places you have in mind are where?

MR. HEWARD: I think the Philippine Islands is one which has been absorbed.

THE COMMISSIONER: Can you point to any organized countries like Canada where that is really the case? Take the United States, for instance.

MR. HEWARD: I think they have absorbed a large part of the Australian market, haven't they?

THE COMMISSIONER: A greater part of the Australian market, but there is an arrangement there between Japan and Australia.

MR. HEWARD: I think there is a quota arrangement.

THE COMMISSIONER: They take a lot of Australian wool.

MR. HEWARD: I intend to deal a little more fully with that and suggest a possible remedy that would help us in that particular regard.

MR. McRUER: This is just off the record, so to speak; I was talking to a manufacturer of rayon on Saturday from Virginia and he said he had tried to get Japanese yarn and could not get it. He said in the first place the tariff was too high and in the second place they would not sell it to him.

THE COMMISSIONER: Do you mean to say the Japanese would not sell it to him?

MR. McRUER: That is what he said; moreover he said he could not get deliveries of rayon yarn in the United States under four months.

THE COMMISSIONER: I do not understand why they would not sell it to him unless he was undertaking to export goods.

MR. McRUER: I think they must have got in on the world cartels. They tell me you can take the trouble off rayon yarn altogether and you will have trouble buying it.

MR. HEWARD: It may be they would rather sell the manufactured fabric.

MR. McRUER: The funny part of it is they would

not sell the yarn to him unless he was exporting it, and if he was exporting it he would export it in competition with the Japanese manufactured fabric in some other market.

MR.HEWARD: There is something I do not understand about that.

THE COMMISSIONER: Unless they want the American market for themselves.

MR. HEWARD: Who did?

THE COMMISSIONER: The Japanese; if they would not sell to him for sale by him on the market in the United States, if they wanted him to export it from there it means they must have thought they could have the American market. However, that is very complicated.

MR. HEWARD: I am not sufficiently experienced in trade matters but there is something that puzzles me about that attitude.

MR. McRUER: There are a lot of things that puzzle about trade matters.

MR. HEWARD: Now, my lord, I do think there is an increasing threat and I want to deal with that in a few moments.

THE COMMISSIONER: Yes, alright.

MR. HEWARD: Now, the next point I want --

MR. McRUER: Excuse me, Mr. Heward, just before you leave that; in regard to this table that you have put in you give 27" plain rayon taffeta which I think it is admitted was not in competition with Sherbrooke.

MR. HEWARD: No, not directly. It is Montreal Cottons.

MR. McRUER: Then, you give three other fabrics in the table for which you give the numbers of the corresponding fabric Dominion Textile or Montreal Cottons make.

MR. HEWARD: You are thinking of the --

MR. McRUER: Now, to begin with you have RT-58. I don't think RT-58 was a corresponding fabric at all to the 27 inch.

MR. HEWARD: No, it was not. Just a minute; if we could see the old exhibit, 418, I could give you the proper number on that. Perhaps I have it here. RT-58 is not right. I am glas you called my attention to that.

MR. McRUER: It would be a VZ one.

MR. HEWARD: A VZ one or another -- no, that is right. RT-58 was 27 inch rayon lining dyed dark shades.

MR. McRUER: Oh, rayon lining.

MR. HEWARD: Yes.

MR. McRUER: How can that be a corresponding fabric, rayon lining, with these things we have had?

MR. HEWARD: That is not right either. I gave it the wrong number, but I will find it. The RA's--

MR. McRUER:--are Sherbrooke.

MR. HEWARD: Are Sherbrooke.

MR. McRUER: Is RT-58 Ming Toy? I think it was Ming Toy that Mr. Gordon claimed was in competition.

MR. HEWARD: RT-58 is 37 inch so it cannot be that. Now, that is VZ-86 -- no, just a minute --

MR. McRUER: We will have Mr. Gordon fix that when he comes here.

MR. HEWARD: I have given the wrong number there. I worked that out myself from the exhibits. I did not work the computations but I picked it out from the exhibits and I must have made a mistake.

MR. McRUER: What I want clear is whether these two are Montreal Cottons?

MR. HEWARD: Yes, they are.

MR. McRuer; The two opposite 27 inch taffeta are Montreal Cottons?

MR. HEWARD: Yes, they are.

MR. McRUER: Now, in reference to the lower three items they were quotations of Japanese fabrics from New York.

MR. HEWARD: They were quotations.

MR. McRUER: In New York, not on the Canadian market.

MR. HEWARD: In New York.

MR. McRUER: Not quoted in Canada.

MR. HEWARD: They were quoted CIF, and Mr. Gordon made calculations to see, taking off the freight -- at least, the CIF charges, as to the invoice price. He worked it back and then added freight and duty and excise tax laid down in Toronto to find out what the corresponding price would be for the goods laid down in Toronto. That is how he got it

MR. McRUER: Well, the point is as to whether Mr.

Gordon had done that before he closed the mill or afterwards.

MR. HEWARD: Yes, that is where I made a mistake. I thought he had done the others, that he had the others, one, two, three and four, before he closed the mill and he hadn't.

THE COMMISSIONER: What did he have before he closed the mill?

MR. HEWARD: He had these five, my lord.

MR. McRUER: I don't think the evidence shows that is what he had before him at the moment. I have looked them up, your references to pages 1999 and 2060, your marginal references on page 67, and I cannot find that these bear out the statement that he --

MR. HEWARD: It is page 2064. I think I gave the reference, 2064. You see my marginal reference on 2064; is that not right?

MR. McRUER: I don't think there is anything there to indicate that he had that before he closed the mill. My recollection was that he got these things afterwards and was doing the figuring afterwards.

MR. HEWARD: Not, but he did a lot of figuring afterwards when he got some quotations, additional quotations through Mitsui & Company in the first week in February. Then he was able to find comparative values to one, two, three and four in each case.

MR. McRUER: But these references, none of these references bear out the statement that he had these before.

MR. HEWARD: 2064 is the one; that is the one I

gave. That is the quotations he got from Mitsui & Company.

MR. McRUER: This was from Brown Silk.

MR. HEWARD: Who got it through Mitsui & Company.

MR. McRUER: At any rate, you hadn't any answer from Brown Silk in regard to what the quotations might be up to the 15th of January.

"A. Not in that particular respect, no. I had seen prices on very similar fabrics as quoted in the New York market."

MR. HEWARD: £060, my lord.

MR. McRUER: "Q. You have not any of those today that you had? A. I could readily get them or send for them or get them at noon.

Q. Have you today any knowledge of any sales having been made on the fabrics? A. In which market, sir?

Q. In the Canadian market. A. On those American constructions?

Q. No, I take it that it was Japanese?

A. These Japanese constructions which I had sent to me from the American market?

Q. Yes. A. I do not know whether they had been sold in Canada.

Q. You do not know yet whether there had been any sales on the fabrics of which you saw quotations up to the 15th of January? A. Well, I am not in a position to know really.

Q. Well, all I am just getting is - that you don't know? A. Yes, that is right."

MR. HEWARD: I think this makes it clear, Mr. McRuer, that he did have the New York quotations before the 15th.

MR. McRUER: That may be true.

MR. HEWARD: But he didn't have the others, he didn't get those until the first part of February.

Now, the next point was, my lord, that at the Sherbrooke division in the rayon mill they had been producing an increasing amount of rayon greige goods up to the end of 1935. Your lordship will bear in mind the rayon division was a grey material. In other words, it did not finish the goods or print them or convert them.

THE COMMISSIONER: They went on to Magog.

MR. HEWARD: They went on to Magog.

MR. McRUER: You see, what Mr. Gordon says isn't that he made these calculations but that he made inquiries from Brown Silk Company in respect to this, through Brown Silk Company and had not known by January 15th.

MR. HEWARD: He made his calculations on the New York CIF prices but he got confirming quotations through Brown Silk. You remember there were two original quotations, Mr. McRuer, one from Fisher and one from the Brown Silk, and then Mr. Gordon got Brown Silk Company to get Japan to quote on some other things, but these other things did not come in, these other quotations didn't come in until the first part of February. There is no doubt about that.

MR. McRUER: Here is what he says about it.

"Q. And were these quotations that were being made for the American market? A. I beg your pardon.

Q. Were they quotations that were being made for the American market? A. Were they?

Q. Yes, the quotations that you saw. A. Yes, the figures in connection with those samples were quotations being made but what is termed C.I.F. New York. That is, they were not the Japanese invoice price, they were the laid down price including cost of shipment and not the duties but the regular charges attending shipments, so that those prices did not reflect truly the Japanese values, and that is why I went further and made this rather roundabout, if you like, check.

Q. You went further and made inquiries through the Brown Silk Co., got the Brown Silk Co. to make inquiries, rather? A. Yes, that is right.

Q. I am asking you - were the quotations that you had seen before going to Ottawa quotations that were for the American market? A. Well, they would apply equally. Yes, they were quotations to the American market or to the Canadian market for that matter.

Q. They were quotations being made in New York for the American market? A. Primarily, yes.

Q. And in order to sell on the American market they would have to bring them in and sell them after having paid the Customs duties prevailing

"in the United States? A. Yes.

Q. And do you know whether those goods were being sold in the American market at that time?

A. Under oath I could not say that they were being sold, no. I presume some of them were being sold but I have no direct knowledge.

Q. The point I am getting at is - what knowledge you had on the 15th of January last?

A. I had the knowledge that Japan was in a position to make these fabrics."

THE COMMISSIONER: What page are you reading from?

MR. McRUER: 2062, my lord.

"Q. Well, I am talking about that? A. I am trying to tell you what knowledge I had when I went to Ottawa.

Q. I am talking about what quotations you had", and so on.

MR. HEWARD: I think that is what I had in mind.

MR. McRUER: I think he said he had not learned what the duties were in the United States or whether they were able to sell in the United States on account of the duties or whether Canada's duties would still be higher than the United States.

MR. HEWARD: You see these were CIF prices, but no duty was indicated -- was included in these prices, New York prices.

MR. McRUER: I know.

MR. HEWARD: So all he had to do to get the invoice price was to take off the CIF charges.

MR. McRUER: They would not be much of a threat

to this market they could not sell in the American market, and if the Canadian duty was still higher than the American duty.

MR. HEWARD: Perhaps not, but he felt that there was a threat, and that was the information he had before him. What he was getting at was what was the Japanese invoice price of the goods that had been quoted there, and he worked it back. Now, as I said, in December, 1935, they had a big stock of grey goods in Sherbrooke, and, as a matter of fact, it was higher at the end of December, 1935 than at any previous time, and here I want to point out, my lord, an important factor --

"The conversion of the greige goods into the finished goods in the Dominion Textile Company, Limited takes place at its Magog mill, and the evidence has shown that there was often a considerable lag between the completion of manufacture of the greige goods at Sherbrooke and their final conversion by printing or dyeing at Magog, due to the fact that it was often necessary to switch conversion machinery at Magog from the conversion of rayon to the conversion of cotton. It is also shown in evidence that additional machinery was being installed in the Magog plant, the installation of which would be complete in March of 1936. It has also been proved that with the curtailed schedule of operations which the Company had in mind in the first two weeks of January it had been expected that the heavy greige stocks on

"hand and stocks produced at Sherbrooke thereafter would all be converted in May or June in time for the Spring and Summer trade."

So that what I submit it is important to bear in mind in the consideration of this subject is that as between Sherbrooke and Magog there was a considerable time lag, and that goods which were being manufactured in the greige at Sherbrooke might not reach the market for five or six months afterwards.

THE COMMISSIONER: Magog could not keep up with the demands made on it.

MR. HEWARD: At that time, yes, my lord, and, in any event, a lot of it was being made for the Spring and Summer trade. Then, Mr. Gordon testified--

"--there was a clear indication of a change of buying policy on the part of the Company's purchasers, and that the trade was now buying from hand to mouth, that is, buying only for its immediate needs."

In the next paragraph I give the figures which were read into the record in that regard and which show that they had heavy bookings in the first part of January, 1935, and that they had, owing to the rising bookings during the year, they had expected they would have an improvement in January, 1936, but actually in the first two weeks of 1936 ending January 11th -- that sounds like a curious way of putting the first two weeks, but that is the first two weeks pay roll -- new specified orders were 1,995 pieces, or less than half of the previous year. Specified from bulk were

416 pieces, less than one-third of the previous year, and no bulk orders at all had been booked. So that new orders to deliver amounted to only 2411 pieces as compared with 5,334 pieces in 1935, and additions to orders were 1995 pieces as compared with 8346 pieces in 1935.

Then, Mr. Gordon explained what he meant by "bulk orders", namely,

"--orders which have been received from a customer for a stated quantity of goods within a certain range of construction in the greige, but without specification of the patterns or colours".

THE COMMISSIONER: The specification comes later.

MR. HEWARD: The Specification comes later. A man will give you an order of 100,000 yards of such and such a construction, and then he will give you orders from time to time as to how it is to be finished, or printed and dyed, and so forth. He also pointed out that he considered his order book, therefore, in a vulnerable position because "orders for future deliveries of all kinds are in a vulnerable position in a falling market, but bulk orders are in a particularly vulnerable position as the customer by withholding specificiations can make them almost impossible of fulfillment". I mention this in the last paragraph on 69.

"While it is true that from a legal point of view the Company might be able to enforce the completion of the purchase or the payment of damages"--

That becomes a nice legal question of specific performance, my lord, but if you cannot get specific performance we can get damages.

> "-- such enforcement is not feasible from a practical point of view and in any event it could be effected or damages could be collected only at considerable expense to the Company, and at the risk of loss of future sales to the customers concerned".

So that is an important practical consideration.

(page 17924 follows)

Then we have evidence as to inquiries which have been received from the Trade in Winnipeg and in Quebec and through the salesmen as to what was going to be done through the Japanese situation, showing that they were restive. So those are the things which alarmed Mr.Gordon, and he was with the delegation that went to Ottawa on January 14th.

THE COMMISSIONER: I assume that all of these various facts which you enumerate there which contributed to the decision disclosed - for instance, the factory at Magog would not do all the work required of it both in cotton and rayon finishing and so forth - I suppose that of all these factors the mission to Ottawa dealt only with the tariff and Japanese competition?

MR. HEWARD: How do you mean, my lord?

THE COMMISSIONER: I suppose that when these people went to Ottawa they did not go there to discuss their difficulties about the Magog plant not being able to keep up with the work.

MR. HEWARD: I do not suppose so.

THE COMMISSIONER: I assume the Ottawa Conference had only to do with the question of the tariff and its effect on Japanese competition, whatever evidence they had of offers of Japanese goods in Canada; is that right?

MR. HEWARD: Yes. I don't know how far the discussions went as to what their situation was as to stocks on hand and so forth. Perhaps that may have been discussed. I do not remember any evidence on that

point. But I think the main object was to discuss the tariff situation.

THE COMMISSIONER: I suppose that the government would not be concerned in the company's ordinary business problems. The government was concerned in the question of government policy.

MR. HEWARD: Of government policy.

THE COMMISSIONER: And I assume that what they made known to them was their apprehensions arising out of the Japanese agreement?

MR. HEWARD: Oh yes, they undoubtedly did that. Whether they discussed questions of the stocks they had on hand and the inquiries about orders and so forth is not in evidence.

THE COMMISSIONER: For instance, did Gordon tell us anywhere that he discussed with the government the fact that the Magog mill could not keep up with finishing his Sherbrooke goods and so on?

MR. HEWARD: No, I think to the best of my recollection he does not discuss that in the evidence.

THE COMMISSIONER: I suppose as far as the government knew was that, here was their industry, and they were afraid of this Japanese competition.

MR. HEWARD: And Mr. Bunning felt they were unduly alarmed.

THE COMMISSIONER: They were talking of Fisher and Company making these offers, and they said perhaps the buyers —

MR. HEWARD: -- "are trying to put the wind up you", to use an old army expression. But I must be quite frank and say that I do not remember any evidence being given as to discussing the actual physical situation of the stocks on hand. There was some discussion apparently of mills that had been closed, but not on the part of my client, because of course he had not suspended operations at that time.

MR. McRUER: You make a reference to certain evidence in connection with orders on hand and bulk orders. I do not know that your factum puts it just as accurately. Instead of talking of orders altogether, you select certain ones.

MR. HEWARD: Oh, I don't think I did that, Mr. McRuer. I went through the evidence pretty carefully there.

MR. McRUER: No, I mean you differentiate between bulk orders and specified orders. The buying public were evidently switching from placing bulk orders to just buying specified quantities because of the condition of the market at that time. We have plenty of evidence that there was a sort of glut on the market in December, and the public had decide apparently, "Well, we know there is a glut, and we are not going to place bulk orders". But the total orders placed, for instance, in January 1935, compared witht the total of orders placed in January 1936, seems to be up.

MR. HEWARD: Not for our company.

MR. McRUER: Well, this is your company, the Dominion Textile Company. I may be reading it wrong.

THE COMMISSIONER: What exhibit are you referring to?

MR. McRUER: Exhibit No.435. And that was my recollection of the evidence. Mr. Hooper's evidence was that the public had switched, just a different class of buying, from placing bulk orders to just buying, as you say, from hand to mouth. They may have had different reasons altogether for doing it.

THE COMMISSIONER: Well, if there really was a glut on the market that would have a tendency to lower prices later on.

MR. McRUER: Later on, and there was plenty of evidence that Mr. Marks was closing the mill before the Japanese thing arose at all. Take for instance the 4th of January 1936. The total orders at the Mag og Print Works were --

MR. HEWARD: Those were orders on hand, though, were they not?

MR. McRUER: Yes.

MR. HEWARD: That is not new orders.

MR. McRUER: Well, where do you get the new orders?

MR. HEWARD: Do you not remember we had the same difficulty when we were going through the evidence in distinguishing between orders on hand and --

MR. McRUER: Your orders on hand seemed to be up from January of the previous year all along.

MR. HEWARD: But orders on hand means an accumulation of orders from the past.

MR. McRUER: Well, that of course is a happy position to be in, -- more orders on hand than you had the previous year.

MR. HEWARD: But we had bulk orders which were peculiarly vulnerable. I think he had cause for alarm.

THE COMMISSIONER: What you point out is that this particular cause for alarm is due to the expectation of Japanese goods coming in, by the trade. That is what you say here.

MR. HEWARD: Yes. By the way, my lord, at page 69, in the first paragraph, at the top, at the sixth line, I say "That the corresponding date in 1934". It should be "1935" there.

MR. McRUER: Take the first week, January 11, new specified orders were 1802 as against 1903 the previous year. When you go to the next week, January 18, they are 1017 as against 2403. Oh, I beg your pardon; that is 1934.

MR. HEWARD: I think I have probably extracted these correctly, because I sat down myself and did it with the evidence and the exhibit before me.

MR. McRUER: All right. Well, don't hold it up now.

MR. HEWARD: You and I can go over it and if there are any corrections I will put them in the factum. I did itcarefully from the evidence and

MR. McRUER: Of course my answer to it really was that the glut on the market had the tendency for the trade to say, "Well, we are going to wait. These fellows are growling about over-production and we shall get something if we wait a little while.

MR. HEWARD: And they might be all the more inclined to do that, knowing the Japanese situation.

MR. McRUER: Oh, they might.

THE COMMISSIONER: I think you are at page 7.

MR. HEWARD: Yes. I was just dealing with the vulnerability of these orders and the fact that we had received more inquiries as to what was going to be done and in fact one purchaser actually sent back the goods, and they refused to take them back.

MR. McRUER: Who is that?

MR. HEWARD: That was a fellow in Quebec. You remember Mr. Gordon gave evidence that he would not accept the cancellation. We had a long discussion as to whether there could be a cancellation when the other person did not accept and they sent back the goods. Then there was, my lord, the delegation to Ottawa on the fourteenth, and on page 74 of my factum -- I have skipped a lot of the detail there because I do not think it is important, it is gone into at full length, as to whether Mr. Gordon had seen a customs' circular which it was later proved had been sent out and which he said he did not know had been sent out: I have gone into the evidence in that regard very fully there, but I do not want to take up your lordship's time discussing

it in detail now because I do not think it is of major importance. According to the evidence, --

" The ministers discussed the matter among themselves before the delegation and referred to the difficulty of taking any action under section 45 of the Customs Act which would not be in effect a reversal of the action taken under the trade treaty with Japan only a few weeks before. Mr. that the buying trade in Canada were attempting to take advantage of the situation created by the change in Japanese protection and put the 'wind up' the Canadian manufacturers with a view to getting them to lower their prices. He counselled waiting for further developments, but indicated that his department and the Department of National Revenue would further consider the question of fixed valuation.

I submit that as a result of that interview, it was natural that Mr. Gordon should feel that while the industry had been given a full opportunity to lay their views before the ministers, it was plain that no speedy correction of the existing could be expected, and there was no definite promise of anything being done in the near future which would remedy the situation, but only indefinite advice to await developments."

THE COMMISSIONER: Well, just a moment. Read the next sentence there. You say that there is no evidence of any definite reassurances of any kind were

given to or definite hopes of any remedy held out to the delegation.

MR. HEWARD: Yes.

THE COMMISSIONER: Was not Mr. Marx one of the delegates?

MR. HEWARD: Yes.

THE COMMISSIONER: Well, am I right in my recollection that he did not close the mill on the 6th of December? Did he not go home and open it after this meeting?

MR. HEWARD: I do not remember that. It was he who recommended the curtailments, I know,

THE COMMISSIONER: He told us in his evidence at this time, at the time he went to Ottawa, his mill was closed. He had closed it, I think, on the 16th of December.

MR. McRUER: Mr. Kellock said it was opened on the 15th of January, the day after he went back.

THE COMMISSIONER: I think not later than the 18th he reopened. How does that compare with Mr. Marx' evidence?

MR. HEWARD: I did not hear Mr. Marx' evidence.

THE COMMISSIONER: You are talking now generally not only of Mr. Gordon but of what occurred at Ottawa, what the ministers did and said and what the result of the interview was. I say it seems to have had at least this result on Mr. Marx, that he went home and reopened his mill.

MR. HEWARD: Well, it had the result also that he

said to his group, which I understand is the broad silk group, that curtailments of the mills would be a safeguard for them until they were able to prove to the government the risks of these importations from Japan. So he may have reopened his mill but he certainly gave different advice to his group. He said, "We ought to curtail."

MR. McKUR: Get the rest of you to curtail and then he gets into the market. You cannot beat his nationality, you know.

MR. HEMMO: As to the nature of the shut-down, it was an indefinite shut-down, but it was a suspension for the purpose of marking time. If that had not been the case Mr. Gordon would have run off his looms -- I am now at page 75 -- and ceased the production of those particular cloths. But by suspending operations he was put in a position of being able,

> "....when the situation developed and became clarified, to run off all the looms, or to run off some and to continue others, or to continue all the looms, in accordance with what in his judgment after examination of the situation was considered to be prudent.
>
> In this connection it should be remembered that in the weaving of textiles a considerable amount of preparatory work must be done before the materials actually reach the looms, and that as each stage of this preparatory work is reached the materials become less flexible than before in the sense that

"they could only be used for a narrower range than at the preceding stage."

I am instructed that as they pass through the various stages of the loom it becomes useful for a smaller range of goods until it actually goes into the loom itself.

"Mr. Gordon testified --

'I did not want to make up my mind that the future was hopeless for us and that therefore I should give instructions to start running out the work in process in the mill. The idea of stopping production was simply to hold the mill in readiness to either continue production at the same rate or at a lesser rate, if that is what the future held for us.'

And he also testified --

' No, I have tried to explain that my policy, if you like to call it a policy, was to get the mill in a position where we were in a position to resume manufacture if it was possible to do so, or, if on the other hand, it was not possible, we would at least have conserved our raw material as far as possible.'"

So I submit that shows it was a marking-time pending clarification of the situation, and that necessarily it had to be indefinite.

THE COMMISSIONER: Yes, but, Mr. Howard, "pending clarification of the situation". Do you mean to say the situation did clarify itself?

MR. HEWARD: Yes. I am going to deal with that. It did improve to a sufficient extent, my lord, to enable him to go on and continue operations on a limited scale.

THE COMMISSIONER: That is the situation now in respect to Japanese competition?

MR. HEWARD: Well, the situation in regard to the order books and also the situation in regard to Japanese competition. I am coming to that.

THE COMMISSIONER: The difficulty I find is that while Mr. Gordon gives us a variety of motives any one of which might have led to his closing the mill, for instance the inefficiency of the Magog plant to keep up with it --

MR. HEWARD: The inability of the plant.

THE COMMISSIONER: -- you must put yourself in the position of those who did not know what was going on in the minds of the company. All they saw was the announcement of the mill being closed indefinitely. They saw the letter to McKinnon, which you had here; but according to my recollection it just says "We are going to close and throw people out of work." It sounds very definite. And those reading the newspapers find that "The mill is going to open when we can sell our goods again." Take the municipality of Sherbrooke, take the government, take the people reading the newspapers, take the employees reading the sign up at the mill; they had nothing to convey to them that "this is due to the fact that Magog was not

able to keep up" with them or anything of that sort; the only indication they had was that it was closed, and closed for an indefinite period and that "we are not going to open again until we can sell our goods," the only conclusion outsiders could come to was that this was a pretty definite closing. Is not that right?

MR. HEWARD: Well, it said "indefinitely", my lord, but as to the length of time, whether it was a permanent closing or not, I agree with you, my lord, --

THE COMMISSIONER: Well, read the letter to Mr. McKinnon. That was written for a purpose, no doubt, and it should have enumerated these various reasons if they were there to enumerate.

MR. HEWARD: Yes. Could we get that letter? I was just coming to that, my lord. Here it is, page 20.

MR. McRUER: Sixteenth of January. I have not quoted the exhibit number there. It is dated January 16, 1936.

MR. HEWARD: As I remember, the first part of the letter deals with a lot of technical matters in regard to various calculations, does it not? We can read it from your brief.

MR. McRUER: I had it out the other day.

THE COMMISSIONER: Only part of it is in the brief.

MR. HEWARD: The first part dealt with details of tariff competition which were corrected in a subsequent letter.

THE COMMISSIONER: I think we will take a few minutes off now.

Upon resuming --

MR. McRUER: As to the date at which it was said the Louiseville mill opened, that is the associated Textile Mills, at page 16638 Mr. Kellock makes the statement that it opened on the 18th January.

THE COMMISSIONER: That is what I thought, yes.

MR. HEWARD: Your lordship was asking about the letter to Mr. McKinnon. I find that it is exhibit 149, the letter of the 16th January, followed by another letter of the same date, the 16th January. The first part --

THE COMMISSIONER: You mean, followed by another letter to the same person?

MR. HEWARD: Yes.

THE COMMISSIONER: Both to Mr. McKinnon?

MR. HEWARD: Yes. The first part --

THE COMMISSIONER: The first part of the first letter?

MR. HEWARD: Of the first letter deals with the technical tariff computation which Mr. Gordon had worked out.

THE COMMISSIONER: We will take it for granted.

MR. HEWARD: Which I do not propose to touch upon, and then it goes on to mention the closing;

and the second letter corrects the technical computation.

THE COMMISSIONER: The part that interests us now is that which speaks of the closing.

MR. HEARD: The part which speaks of the closing is these two paragraphs:

" Since returning from Ottawa I have reviewed our rayon situation carefully, and in view of our present stock and the doubtful validity of present orders on our books, I can only conclude that it would be sheer folly to continue producing more rayon goods in the rayon division of our Sherbrooke branch. I have therefore made arrangements for that mill to cease operations to-morrow night, and it will have to remain closed until we can have some reasonable grounds for assuming that goods produced can eventually be sold at a price level in line with costs of production. The mill in question employs between 500 and 600 hands,"

That was a mistake, at that time. That was the number they employed in December, the previous month.

"...or approximately 50 per cent of the total employees of the Sherbrooke branch of the company.

I am hoping that in spite of the rather indefinite promise of immediate action made by Mr. Dunning, something will be done to stabilize the whole situation so far as landed values of all types of textiles from Japan are concerned. I think the idea of waiting for the situation to

"develop is tantamount to watching a fire make headway before attempting to bring it under control, and I am afraid the longer the government holds off the more difficult it will be in the end to make the changes which are absolutely necessary if our whole industry is to be kept in the picture".

THE COMMISSIONER: It looks to me from what you have already read that the action hoped for, expected, was the fixing of a value under section 43, is it not? It is said in the preceding evidence that Mr. Dunning was asked to have that done and he did not make any definite promises. He said the government would go on giving it consideration.

MR. HEWARD: I think he also indicated that there was a difficulty with Japan because it was a reversal of their whole policy.

THE COMMISSIONER: He did not leave it at that. He said they would give it consideration. If that was not what they wanted, I do not know --

MR. McRUER: That was the only suggestion I know of that was ever made that would meet their requirements.

MR. HEWARD: And there did not seem to be a hope of that suggestion being adopted. Your lordship has said that perhaps to an outsider who did not know what was in Mr. Gordon's mind--

THE COMMISSIONER: You see there is nothing there to say that "our Magog mill cannot keep up with our Sherbrooke production and will have to close for a few days."

MR. HEWARD: He was not, perhaps, sufficiently explicit.

THE COMMISSIONER: It is apparently a question of the whole thing now being in the hands of the government. "We have been tonsee you, and we hope something will be done, but in the meanwhile we are closed and five or six hundred people are out of work."

MR. HEWARD: But he does refer to the present stocks.

THE COMMISSIONER: Oh yes.

MR. HEWARD: And he does refer to the orders on the books. But it might have been made more explicit, and I do not think that that, or his telegram to the Gazette in which he said —

THE COMMISSIONER: You see, after all, Mr. McKinnon is an official. I forget what his title is.

MR. McRUER: He is Commissioner of Tariffs in the Department of Finance.

MR. HEWARD: Evidence was given that Mr. Dunning had requested that Mr. McKinnon be kept advised of developments.

THE COMMISSIONER: I think Mr. McKinnon was present at the conference.

MR. HEWARD: Yes, my lord, I think he was. What I want to say about this is that this may not have been sufficiently explicit about our stock situation or our order situation, but I do not think it was intended as a demonstration to the government, or to

intimidate the government, as my learned friend has stated in the brief. I do not think Mr. Gordon would be fatuous enough to think he could intimidate the government in that way. I submit that a reasonable interpretation of this letter is that, having been told to keep Mr. McKinnon in touch with developments, it was Mr. Gordon's attempt to justify his action in closing; it was his explanation of why he was closing; in other words, that he wanted to see how the situation could clarify. His telegram to the Gazette, which your lordship will remember was in reply to an inquiry from the Gazette, it was not something he did of his own motion, states, "Report correct. Mill employees about five hundred of both sexes." You will remember that the evidence was that the inquiry from the Gazette had referred to "about five hundred employees", and Mr. Gordon said he wanted to make it clear there that they were of both sexes. I think it may have mentioned "men" or something of that kind. And then he says, "Hope to reopen when we can see possibility of manufacturing goods which can be sold".

THE COMMISSIONER: You see the Gazette is, you may say, another outsider.

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: They were apparently quite concerned about the closing of the mill, and they wired for the reason.

MR. HEWARD: They wired to Mr. Gordon at Providence, where he was down on business. (Page 17944 follows)

THE COMMISSIONER: That is what I say, putting it from the point of view of its affect down at Shertrooke, the Government, the public, newspapers and all, you say that the impression created by the closing down--

MR. HEWARD: Was apt to cause alarm, I think so, my lord, and I think perhaps he could have been more explicit, but what I want to get at is - I do not think he intended it as a demonstration and he did nothing also, he did not seek to make propaganda, he did not give interviews. He may not have given full enough explanations but I do not think he attempted to intimidate the government.

I submit, therefore, that the shut-down was intended to be a temporary suspension although of an indefinite nature, that it was decided upon by Mr. Gordon purely from the point of view of the company's manufacturing and selling operations. This is a paragraph on page 79 of my Brief. That it was a decision which a prudent administrator of a large company in a vulnerable position was justified in making and that neither the suspension nor any of the acts or statements of Mr. Gordon were intended to be a demonstration or threat against the government.

Then, my lord, dealing with the resumption of operations --

THE COMMISSIONER: Now, I think this is the place for you to answer this question: Having regard to the closing down---one of the subjects given to me

to enquire into and report upon in this Order in Council is the justification of a tariff protected industry in closing and throwing people out of work just when they feel that they may suffer some for a few days or a few weeks or a few months. Now, are you prepared to deal with that or is Mr. Ballantyne?

MR. HEWARD: Perhaps I will deal with it very briefly.

THE COMMISSIONER: The situation is this: Here the Government says - well now, you have had tariff protections for a very long period. You have prospered under it, no question about that, and now just because you are frightened something may interfere with part of your business you are going to close and throw people out of work, and the question is: should an industry which does thrive under tariff protection act in that way or is there not some obligation on it to keep going, to make provision to tide workmen over times of distress?

MR. HEWARD: Let us look at that.

THE COMMISSIONER: I do not know whether you had prepared to deal with this.

MR. HEWARD: I had in this sense ---

THE COMMISSIONER: Or perhaps you want to deal with it later on. It does not matter to me. It is a general question - I am not speaking particularly about Mr. Gordon.

MR. HEWARD: As I said before, I do not think

any tariff protected industry can be expected to keep up indefinitely manufacturing goods which they think cannot be sold. That would be asking too much of it. If he had, however, gone ahead and run off his looms and it had been proved that he was right, that they were going to suffer seriously and he could not sell his goods, then when he did actually run off his looms and close down, these people would have been out of work anyway. Therefore the thing to do was for him to pause at this moment because then, if it turned out that his fears were groundless, he could go ahead either on a limited scale or on a full scale and if it turned out that his fears were not groundless he could go ahead and run off the looms at that date. If he had run off the looms, for instance, then, and it turned out that his fears were groundless there would have been a period during which they would have had to do the preparatory work and get the looms running again, and most of the employees would have been laid off anyway. So that he was putting himself in a position where he could carry on if his fears were groundless, he could carry on as if nothing had happened, and he was putting himself in a position where, if his fears were not groundless, then he would have to stop anyway.

THE COMMISSIONER: You take it for granted that he would have to stop and therefore would stop and put his employees out of work. Having regard to this

industry not being one standing on its own feet but one living, you may say, under the protection of a tariff which allows it to obtain prices from the consumers much in excess of what they would pay without the tariff and which, of course, is always put forward as the main reason it desires protection, the employment factor, is it justified in saying: This won't do us, therefore 500 men go on the street. I am not talking of Mr. Gordon, I am talking on the general question. For instance, Mr. Whiteley put in my hands some time ago a work by some author whose name I have forgotten, and he points out that this is not by any means a new question. Henry VIII was about to declare war on France and the Textile Industries in those days did not like that because they had created a big business on the continent and they had been receiving favours of different sorts from the Government. They closed down their factories and people were thrown out of employment and Cardinal Wolsley, Prime Minister of this day, just sent for them and said, "You better open them again and put those people to work or something will happen," and "something happened" in those days was drastic. They did open and put their people back again and they were not ruined, they carried on. That was because in the past they had received favors from the Government and the policy was - you must share whatever loss there is. Now, does not that apply to-day to any industry which receives tariff protection?

MR. HEWARD: I do not think anybody, my lord, respensible for tariff protection would say that it was incumbent upon an industry, if it knew definitely that the goods that it was manufacturing must be sold at a loss, should go on making those goods at a loss.

THE COMMISSIONER: Nobody says they should go on forever, of course. Here was a period and, after all, on Mr. Gordon's own admission, it only lasted 11 days. Could not this industry have supported that 11 days without asking the workmen to suffer loss of wages?

MR. McRUER: And have never done anything to compensate the workmen for the losses which occurred to them by reason of the shut-down. Took full advantage of Mr. Gordon's error of judgment in respect to that, the workmen have borne the loads.

THE COMMISSIONER: The question cannot be put aside, it is right there in this Commission. That is, what is the duty of these protected industries in times of stress? Are they just as free as unprotected industries to close their doors and say they will wait? Have not they an obligation in view of all the favours they have received to help out?

MR. HEWARD: You see, my lord, if it turned out definitely that we could not manufacture goods at a profit then, as Mr. Gordon pointed out in his evidence, the employees would have lost their employment anyway and he took this measure as a marking of time and

in that connection I should point out that during that marking of time the company's officials did come to the assistance of its employees who were distressed as regards the credit situation, and gave them fuel from their yards and in one or two cases, were asked to do so, guaranteed their account with the suppliers.

MR. McRUER: "Guaranteed their account," that meant, of course, the men themselves had to pay them.

MR. HEWARD: Only if they were re-employed because there would be no ---

THE COMMISSIONER: I have not heard of any indemnity for these people for the time they lost.

MR. HEWARD: I suppose the indemnity would be when they carried on. If our fears were groundless they would have those goods to produce in time for the market anyway.

MR. McRUER: Yes, but the Company received the full benefit of the shut-down, were able to get their machinery into the Magog plant and go on and make more money than ever.

MR. HEWARD: That is a point that must not be overlooked that it is, of course, less expensive for a manufacturer to keep operating than to close down his plant if the goods which are being manufactured can be eventually sold. Where, however, the additional factor of the possibility of not being able to sell the goods at anything like a reasonable price is injected into the problem the remedy would not be curtailment

but cessation of operation. If the goods can be eventually sold it is less expensive for us to carry on even at a reduced rate of operation than it would be to shut down because we are carrying on with overhead during that time of suspension.

MR. McRUER: Yes, but you have reduced the production twice. On December 30th, Mr. Daniels wrote: "From now on Sherbrooke rayon will not run more than 48 hours per week." This has nothing to do with any legislation concerning hours of work but merely for the time being that the print works will not be able to handle more than this production." Then you proceeded to reduce again on January 13th, they reduced to three days a week, as I recollect---

MR. HEWARD: They discussed it, it was not decided on, they discussed it with Daniels, but I think that bears out my statement that it is less expensive for a manufacturer to carry on with curtailed operations than to shut down altogether if the goods can be eventually sold, and where it is only a question of machinery at Magog - it was not a question of goods not being able to reach the market at a profit.

Then we come to "The resumption of operations," and we find that the operations were resumed on January 29th, the day after the King's funeral, and Mr. Gordon gave us his reasons for resuming those operations:

"First, that on his return from the United States on January 23rd he learned that the circular of the Collector of National Revenue in regard to the scrutiny of invoices had become known to importers and that Fisher & Co. had withdrawn their quotations which had been distributed to the trade with their letter of January 4th, and he came to the conclusion that their withdrawal had been caused by the circular. He was right in this conclusion, as has been proved by the evidence of Mr. A.E. Kehl, a representative of Fisher & Co., who testified that the quotations in question were withdrawn as a result of the Customs department's circular."

And his second was:

"He found that the authorities were taking steps to look into the situation in regard to Japanese competition, as an official from the Customs division had been sent to the Company's offices on instructions from the Department of National Revenue to examine into the report upon the Company's cost of production on the leading rayon lines manufactured by it."

And the third was:

"The order situation had somewhat improved. Bulk orders were again beginning to come in and further orders had been specified out of bulk. There were, therefore, indications that the

situation from the marketing standpoint was beginning to clarify."

And the fourth reason was:

"A most important consideration was the information which he had obtained by telephone from Mr. Kershaw, the Acting Superintendent of the rayon division at Sherbrooke, in regard to the situation of some of the employees who had been laid off. This information was that these employees were in a difficult situation owing to the fact that they were newcomers to Sherbrooke and were therefore unable to get credit from the various tradespeople for food and other necessities in the absence of definite information as to when the rayon division would resume operations.

Under all the circumstances, Mr. Gordon decided to resume operations on the limited scale above referred to and gave instructions to that effect."

He gave those instructions on January 23rd and the instructions were to resume operations on January 24th, the day after King George's funeral.

There is one point I have not touched on and when I have touched on it I think it will be the last thing I have to say in regard to the closing. My friend has pointed out that the two types of goods in regard to which Fisher had given quotations were not types of goods which were manufactured in the rayon division

at Sherbrooke.

THE COMMISSIONER: Are these these taffetas?

MR. HEWARD: The taffetas, yes, but they were types of goods which had been manufactured at the Montreal Cottons and Mr. Gordon explained why it was the Sherbrooke mill that he had closed and not the Montreal Cottons. The first was because at Montreal Cottons, where the two lines were produced, that mill had ceased production of those two lines in the grey at the end of October 1935.

MR. McRUER: That was not on account of Japanese competition?

MR. HEWARD: No, they had ceased in October, and, secondly, the reason why he did not close down the Montreal Cottons mill was that the other lines of rayon manufactured by Montreal Cottons were body-linings on which that company had already developed a special business through a joint advertising campaign with Tip Top Tailors, the tapestry business, the furniture covering business and the drapery business, all highly specialised lines that Montreal Cottons were not dealing with on general trade conditions and were therefore not likely to be interfered with by general lines. And the third, and a very important consideration was that the situation at Montreal Cottons in regard to the time lag between manufacture in the greige and conversion into final saleable form of rayon goods was quite different from that at Sherbrooke.

Montreal Cottons, in regard to the conversion of greige rayon goods, lived on a hand to mouth condition to a much greater degree than exists between Sherbrooke and Magog. The greige plant and the converting plant at Valleyfield are closely integrated and there was not the reserve of greige goods as between the greige side of the mill and the converting side which existed at Sherbrooke.

On the other hand there was a large stock of greige goods at Sherbrooke which could only reach the market in converted form some five or six months after January 1936.

That is all I have to say, my lord, about the suspension of operations at Sherbrooke. I wanted to deal with another matter which arises out of it, and that is the question of Japanese competition. I want to deal very shortly on that and what remedy can be taken in that regard if your lordship feels that there is a serious threat of our market being invaded or ---

THE COMMISSIONER: I think you had better go on. You better go ahead and deal with that. I don't know what will develop in the next two months.

MR. HEWARD: Yes, my lord, that is what I intend to do and I was wondering whether your lordship wanted me to do it now.

THE COMMISSIONER: No, I cannot stay after 12.30, but you have not finished in half the day.

MR. HEWARD: My lord, I will resign as a prophet.

THE COMMISSIONER: You intend to go into that question?

MR. HEWARD: Yes, my lord, that is one thing I want to take up this afternoon, to justify why we should be here as a protected industry.

-- The Commission adjourned at 12.30 P.M. to resume at 2.30 P.M.

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AFTERNOON

-- The Commission resumed at 2.30 p.m.

MR. HEWARD: My lord, I indicated before the recess that I was going to deal with the question of what remedy if any could be suggested, should your lordship feel, as I asked the Commission to find, that there is a real danger in the future of greater inroads into our markets from Japanese competition. My learned friend, Mr. Bellock, has dealt with the various quota systems and with the steps which have been taken and are being taken by nations similarly situated to ourselves to protect themselves, and has dealt with the various quota systems and other matters that are being employed to meet the situation elsewhere, and I do not intend to go over that ground again. I simply want to suggest, as a method which we think might be adopted in Canada, that two successive governments of different political complexion have now put the seal of approval on the policy of empire trade and trade between Canada and the United Kingdom, and these channels of trade have been created between Canada and the United Kingdom, and it is undoubtedly intended that trade should flow in those channels so created in preference to other channels such as the Japanese. I do not know at just what period section 35 (2) of the Customs Tariff Act was brought into existence. That appears on page 34 of my learned friend's brief.

THE COMMISSIONER: You do not mean 36 ?

MR. HEWARD: No,35. Here it is, 61. That

section, 35, reads:

Whenever any duty ad valorem is imposed on any goods imported into Canada, the value for duty shall be the fair market value thereof, when sold for home consumption in the principal markets of the country whence and at the time when the same were exported directly to Canada.

THE COMMISSIONER: That is the principle, the fair market value in the country of manufacture.

MR. HEWARD: Then we come to the special treatment under subsection 2.

In the case of importations of goods the manufacture or produce of a foreign country the currency of which is substantially depreciated, the value for duty shall not be less than the value that would be placed on similar goods manufactured or produced in Great Britain and imported from that country if such similar goods are made or produced there.

THE COMMISSIONER: Yes. In that case you transfer the home market to Great Britain.

MR. HEWARD: Accept their valuation as the fair market value.

THE COMMISSIONER: As if Great Britain was the country of production.

MR. HEWARD: I do not know when that came into existence, my lord, byt I think the wording of that section clearly signifies an intention that other countries with depreciated currencies and unknown costs of production should not benefit at the expense of the United Kingdom.

THE COMMISSIONER: But that is not dealt with here. There is nothing about costs of production; I mean, that is another principle. So far you have two things. First the principle is that the value for duty shall be the fair market value in the country of production, and then you have one exception, and that is when the currency of that country is depreciated, that means in respect of ours. Then you take the duty, which shall not be less than the value which should be placed on similar goods in Great Britain. There is no talk up to the present of costs of production, so you had better not introduce it. It does not come in yet.

MR. HEWARD: I think your lordship suggested sometime during the hearings that the Customs Act and the Customs Tariff Act could well be put into simpler form, and perhaps, if that suggestion is embodied in your lordship's report, it might go a little further and recommend that section 35 (2) be given greater application to the situation which is generally facing the United Kingdom and Canada to-day in this market.

THE COMMISSIONER: You say "greater application". What do you mean by that ? Is it not being applied now ?

MR. HEWARD: The point is it only enables the customs authorities to value the goods for regular duty in the manner indicated therein, but does not empower them to value goods for special duty on that basis.

THE COMMISSIONER: What do you mean by

"special duty" ?

MR. McRUER: Dumping duty.

MR. HEWARD: That is referred to colloquially as "the currency dump".

THE COMMISSIONER: This is one way of meeting the currency dump, is it not ?

MR. HEWARD: No, my lord, because it only applies to the ad valorem duty.

THE COMMISSIONER: But that is one way of meeting that very thing, the depreciation of currency.

MR. HEWARD: But I think it should go further The suggestion we make --

THE COMMISSIONER: You would like to have the section import something else. What is it ?

MR. HEWARD: That it should empower the customs authorities to value for special duty on that basis as well.

MR. McRUER: I think Mr. Heward's point is this. Supposing goods are imported into Canada from Japan at 29 cents a pound, that is a yen. If there are similar ~~xxxxxx~~ goods produced in Great Britain they would be 50 cents a pound. If they were valued for duty purposes at 50 cents a pound, they should be, according to this -- this is a statutory obligation -- not less than 50 cents a pound for value for duty. But still --

THE COMMISSIONER: That is on account of this particular currency.

MR. McRUER: On account of the depeciated currency. But the purchaser still would pay for the goods at 29 cents a pound, and Mr. Heward's proposition is that there should be levied a dump duty equal

to the difference between 29 cents a pound and 50 cents a pound, so as to equalize the market in Canada, the cost in Canada.

THE COMMISSIONER: Is not that dealt with, at least to some extent, in another section ?

MR. McRUER: No, there is nothing, I think. Forty-three is fixed valuation. This is an express statutory obligation on customs officials to fix it at this rate.

MR. HEWARD: And it does not enable them to go further than the section now provides.

THE COMMISSIONER: I tell you what you might do. You might draft something which you think ought to be done, and send it to me.

MR. HEWARD: I should be glad to do that.

THE COMMISSIONER: That would give you time to think it over.

MR. HEWARD: With assistance.

THE COMMISSIONER: It is better to do that than simply say you would like something done. If you will draft something and send it to me I shall then know what you mean. There is no hurry about it either.

MR. HEWARD: I think it is fitting, while I am on the subject of competition, to refer to another situation which, while not competition in the ordinary sense of trade competition, is competition in the standard of living with the United States. Whether we like it or not we cannot escape the reaction or reflection of such factors as the higher wages and shorter

hours now being freely advocated and put into effect across the line. There is an inevitable tendency for us to follow suit, but are we in this industry in a position to do so ? The United States cotton manufacturer has his home market practically to himself. Imports of cotton goods into the markets of the United States, that great big market of over 120,000,000 of people, and which is 17½ times the size of our market in consumption, are very little greater in actual quantity.

THE COMMISSIONER: That is there is a larger consumption per head?

MR. HEWARD: Per capita, yes. But imports are very little greater in actual quantity; that is 114,000,000 yards imported into the United States in 1936.

THE COMMISSIONER: The importations of cotton goods into the United States in 1936 were how much ?

MR. HEWARD: 114,000,000 yards.

THE COMMISSIONER: That is lineal yards, not square yards ?

MR. GORDON: I am not sure, my lord. It would not make a great deal of difference.

MR. HEWARD: While imports to Canada in the same period were 97,000,000 yards, as compared with 114,000,000 yards in the larger market of the United States.

THE COMMISSIONER: Where principally did the American importations come from ? Great

Britain ?

MR. BERRY: The largest source of American imports was Japan; 77,000,000 square yards out of 114,000,000. That is for the calendar year 1936. In the previous year the total import into the United States was 65,600,000 square yards, of which Japan supplied 36,000,000 square yards.

THE COMMISSIONER: So that Japan more than doubled her business ?

MR. HEWARD: Yes, my lord.

THE COMMISSIONER: Importations, then, of cotton in the United States were 114,000,000 square yards, of which Japan supplied 77,000,000. Have you the corresponding figures for Canada ?

MR. HEWARD: You mean from Japan ?

THE COMMISSIONER: Well, both. This is talking about cotton only.

MR. HEWARD: I have the total imports into Canada as about 97,000,000 yards.

THE COMMISSIONER: Of cotton ?

MR. HEWARD: Of cotton, yes, my lord. But I cannot say offhand what part of that, if any, came from Japan. It was very small.

THE COMMISSIONER: I suppose most of it came from Great Britain ?

MR. HEWARD: 73,000,000 came from Great Britain. Mr. Berry states that it is in section (E) of Mr. Kellock's factum, supplement 1.

THE COMMISSIONER: These facts are being given, what is it you have to say ?

MR. HEWARD: The United States manufacturers,

so long as they have to conform, to the same pattern, are in a position to set their own standards of wages and hours, but we are not. The imports into the United States, as shown by Exhibit 374, are a fraction over one per cent of their consumption. Ours are already over 25 per cent, and since the changes in duties --

THE COMMISSIONER: Can you give me any idea of the exportations of the United States of cottons?

MR. HEARD: Exhibit 374 --

THE COMMISSIONER: Well, are they large ?

MR. BERRY: I cannot remember offhand. Larger than the imports, I think.

THE COMMISSIONER: The point is this. Here is the United States, paying the highest wages in the world, and whose workers enjoy probably the highest standard of living in the world; how is it they can export to other countries ?

MR. BERRY: The exports in 1935 were 186,000,000 square yards. The countries are not specified. I imagine that the Philippines and Porto Rico and other present or former possessions absorb the United States exports.

THE COMMISSIONER: That applies to all their exports. The United States was the greatest exporting nation in 1935, the United Kingdom second, Germany third, France fourth, and Japan sixth; Canada was the fifth. Now how do you explain that, that this country which maintains such high standards of wages and living gets into the export markets ahead of the others ?

MR. HEWARD: I suppose it includes raw materials which people cannot get elsewhere.

THE COMMISSIONER: But it applies all along the line; they manage to do that very thing in many branches of trade. They have the highest standard of wages and living and still they can invade foreign markets more successfully than anybody else.

MR. HEWARD: Of course they have the advantage of mass production for their own market, a tremendous market conserved for them. That alone permits them to produce cheaply.

THE COMMISSIONER: No doubt they have the highest degree of efficiency of production.

MR. HEWARD: I do not know what the situation is in that regard.

THE COMMISSIONER: I would assume that. I cannot see what other explanation there is.

MR. HEWARD: My client tells me that they have remarkably good efficiency, but conditions are favourable to high efficiency on account of the volume of production of which they are able to avail themselves.

THE COMMISSIONER: You mean their own home market ?

MR. HEWARD: Their own tremendous home market, 99 per cent of which belongs to them.

MR. McNUER: Is it not a fact, though, that it is becoming more and more recognized in the United States that shorter hours and better pay promote efficiency among the workers ?

THE COMMISSIONER: They must increase

individual efficiency.

MR. McRUER: Only within the last day or two one of the leading industrialists; I think as a matter of fact it was on the radio on Sunday night; a man from Ford's --

MR. HEWARD: Mr. Cameron.

MR. McRUER: Mr. Cameron enunciated that doctrine.

THE COMMISSIONER: In so far as the cotton industry are concerned, are they much more highly mechanized than we are ?

MR. HEWARD: I think my partner Mr. Ballantyne is going to deal with the question of the machine and the worker.

THE COMMISSIONER: I thought you would know offhand.

MR. HEWARD: I think the evidence of Mr. Fessenden and also of Mr. Roper indicated that we were about on a par in that regard.

THE COMMISSIONER: The fact remains that notwithstanding their high cost of production, the highest in the world, they can maintain their own market and go into foreign markets as well.

MR. HEWARD: As regards textiles, of course their exports are very, very small compared to the sales in their own market.

THE COMMISSIONER: I know, but generally this question of wages runs through all industry, and those are the facts. They keep their own market and got possession of others

MR. HEWARD: I do not know what --

THE COMMISSIONER: Well, they are the first exporting nation in the world; at least they were, both in 1934 and 1935.

MR. HEWARD: I do not know what proportion their exports bear to their total trade.

THE COMMISSIONER: But they are the largest in the world.

MR. HEWARD: But I mean, to their total trade.

THE COMMISSIONER: The only thing to compare it with is their home trade, you mean ?

MR. HEWARD: I mean, how exports compare to their home trade, what proportion it bears. I should think that would have a considerable bearing on it.

THE COMMISSIONER: Anyhow I interrupted you. You had better proceed.

MR. HEWARD: My point was that the imports in the United States are a fraction over one per cent of their consumption, and ours are already over 25 per cent. Mr. Berry was good enough to prepare some charts. Mr. Berry, you are so much better than I am that I am going to ask you to interpret them for us.

THE COMMISSIONER: That is all right. Those are different charts, are they ?

MR. BERRY: Three different charts, covering gray cotton, covered, and bleached cotton cloth. The heads are in the upper lefthand corner.

THE COMMISSIONER: Which one are you taking first ?

MR. BERRY: The gray cloth, my lord, United States and Canadian gray cloth duties. The United States duties are those contained in paragraph 904 of the Customs Act of 1930, and the United States tariff provides a sliding scale of duties which increases the ad valorem rate of duty in accordance with the fineness of the yarns of the cloth. This United States duty line increases across the page according to the scale of fineness you see at the bottom of the chart.

THE COMMISSIONER: Does fineness correspond to expensiveness ?

MR. BERRY: Yes, my lord, approximately. For instance, at 20's the average amount of yarn -- at the bottom of the page -- the United States is 17 per cent, whereas 60's, average amount of yarn, the United States duty is 31 per cent. The Canadian rates, of course, are the same for any fineness of yarn.

THE COMMISSIONER: In the Canadian rates you give only the British preference rates ?

MR. BERRY: Yes, my lord, for two reasons. The first is that the great bulk of imports into Canada are entered under the British preferential rates.

MR. McRUER: That was not true, was it, before 1930 ?

MR. BERRY: I have the figures, Mr. McRuer.

MR. McRUER: Mr. Gordon agrees with me that it was not true before 1930. I suppose on account of the increase of wages it probably would

still be true to-day. I do not know.

MR. BERRY: In any case it would be a physical impossibility to use these intermediate rates on this chart. The intermediate rates are the combination of ad valorem and specific duties, and there is no data on which to compute the specific effect of --

THE COMMISSIONER: That is all right. You are comparing the American duties with the British preferential duties ?

MR. BERRY: Yes, my lord. On the gray cloth there, the average column of which is 30's, United States duty on plain fabrics is 20½ per cent and on jacquard fabrics it is 30½ per cent, and the corresponding British preferential rate in Canada is 15 per cent. Average 40's, the United States plain cloth duty is 24 per cent and on jacquards 34 per cent, and the Canadian duty, the British preferential duty, is still 15 per cent. Now I am dealing with the bleached chart, my lord, in exhibit 573, which was filed by Mr. Hooper; the details of the increase of duties in the United States on bleached and coloured cotton cloth which took place in June of last year, and this chart shows both the rates previous to June of last year and the new rates put in effect at that time. The straight black lines are the rates made effective in 1930, and the dotted lines are the rates made effective in June of last year, and those increases in duty rates were only applied as between cloths having yarns of counts between

30's and 50's. The dotted lines supersede the straight black lines. Now, taking 30's average count, the United States duty on plain bleached cloth is 33⅓ per cent, and on other bleached cloth it is 43½ per cent, whereas the Canadian British preferential duty is 18 per cent. Taking 50's average count, the United States plain cloth duty is 43½ per cent, the United States jacquard cloth duty is 53½ per cent -- right off the page you will see, my lord -- and the Canadian duty is still 18 per cent. Coloured cloths at 30's average count, United States plain cloth the duty is 37½ per cent, jacquard cloths 47 per cent, and the Canadian British preferential rate is 18 per cent, and at 50's the average amount of duties compare, United States plain cloth duty 47½ per cent, United States jacquard cloth duty 57½ per cent, and Canadian British preferential rate 18 per cent.

THE COMMISSIONER: You wish to file those?

MR. HEWARD: I should like to file them if your lordship would permit me.

THE COMMISSIONER: You had better put them all in together.

EXHIBIT 1360: Three charts relative to duties on imports to the United States of gray cotton, covered and bleached cotton cloths.

MR. HEWARD: Dealing with the question of wages and hours of labour: A very slight increase in the cost of producing cotton goods in Canada occasioned by higher wages and shorter hours of

labour in advance of technological changes would only result in the Canadian mills losing more of the domestic market to exporters.

THE COMMISSIONER: Would you mind repeating that, please ?

MR. HEWARD: Even a very slight increase in the cost of producing cotton goods in Canada resulting from higher wages and shorter hours, in advance of technological changes -- which of course the industries hope to achieve, changes which will permit hours to be shorter and wages higher and production the same as under previous conditions, or better --

THE COMMISSIONER: That is, they are aspiring to come up to the United States efficiency standards ?

MR. HEWARD: I do not think there is much discrepancy between them. But they are aspiring to, they want, like everybody else, to be able to raise wages and shorten hours, but they cannot do it and maintain production at the same cost unless technical or technological advances permit them to do that.

THE COMMISSIONER: My inquiry really means whether those technological advantages exist elsewhere now ?

MR. HEWARD: I do not think so, my lord. They may be induced by the shorter hours and higher wages in the United States, and then we shall be able to take advantage of them if we have not invented them ourselves, but a reduction in hours

increase in
and rates of wages is not, I believe, the result of any such technological advance at the present; in the United States it has arisen from other causes, and it does not matter so much to them because they have the market to themselves and they are all subject to the same conditions as to hours and wages in the United States, so they are put on an equal footing. But if we had that increase in wages and shorter hours in advance of these technological changes, it would only result in the Canadian mills losing more of the domestic market to imports, because naturally our costs would go up and cotton mill production would decrease, and then costs would still further rise and there would be a regular vicious circle. I think if I might be permitted at this juncture to illustrate what I mean, I will file two simple charts which were prepared by Mr. Gordon showing the relation between volume of production, cost of production, and profit per pound of production in the Dominion Textile Company over the last twenty years. Here again I might do some vicarious explaining and get Mr. Gordon to take my desk over for me because he is much better qualified to do it than I am, and it will save time for the Commission and perhaps embarrassment for me.

MR. McRUER: He will no doubt get a rebate on it.

THE COMMISSIONER: You will have to square up your counsel fee.

MR. GORDON: These charts are indicated

as C.G.1 and C.G. 2 up in the right hand corner. C.G.1 shows three lines, A. B and C. The line A represents the value which we had by way of manufacture of our raw material each year through our manufacturing operations. Line B represents the cost to us of adding that value; and line C, at the bottom, measure s the spread between lines A and B. The spread increase is indicative of our profit or our earnings. It is the difference between our costs and the sale value of our production each year.

THE COMMISSIONER: The yellow line B is --

MR. GORDON: The cost apart from raw materials. We have taken the raw material off in each case so as not to shoot these lines up and down with the rise and fall of raw material value each year. C is a derived line just measuring the spread between the purple line.--

THE COMMISSIONER: C is the difference between A and B ?

MR. GORDON: Yes, and along on the right hand side of the paper, starting at /30, you will see that both lines B and C have the dotted line shown. That dotted line in the case of B shows what our cost would have been in this year if we had written off our regular depreciation.

THE COMMISSIONER: What do these figures represent running up from the bottom, 1, 2, 3, 4, 5 and 6 ?

MR. GORDON: These are millions of dollars, and the figures across the bottom, of course, are the years.

MR. McRUER: You say that you have written off the regular normal depreciation. That is something we have not found yet, what the regular normal depreciation was.

MR. GORDON: I mean six per cent on machinery and 2½ per cent on buildings. It works out on the average proportion of our buildings and machinery --

THE COMMISSIONER: I did not catch what you were saying.

MR. GORDON: The yellow dotted line as shown between the years 1930 and 1934, line B, represents what our cost of manufacture would have been had we written off normal depreciation, that is, about 6.35 per cent more than we did write off. We wrote off 30 per cent in this year in the same way. C measures a smaller spread between dotted line B and the purple line which represented our income from production. Mr. McRuer raises the point, when I say normal depreciation it works out at 5.12 per cent on the average between buildings and machinery, 6 per cent on machinery and 2½ per cent on buildings, and weighting each by the proportion of machinery and buildings, about 75 and 25.

MR. HEWARD: That is what it was figured by Mr. Glassco.

MR. GORDON: It changed a little from year to year, depending on whether we add to one capital account or the other.

MR. McRUER: This is the difference between the raw material and the price you get ?

MR. GORDON: No. Raw material is taken out of the picture.

MR McRUER: I see. B is really the middle spread.

MR. GORDON: B is the difference between our total manufacturing cost, including the raw material, and taking raw material off.

MR. McRUER: Well, that is the middle spread, is it not ?

MR. GORDON: It is not the spread. A spread is what we get for the goods above raw material, but this is what we pay out for the goods, and the difference between that and what we get is the real profit spread.

MR. McRUER: A is not the selling price ?

MR. GORDON: A is the value of the production at selling price; that is what it is.

MR. McRUER: The difference between A and B should be the middle spread if A were the selling price.

MR. GORDON: Yes, it is the middle spread for profit.

MR. McRUER: Then why do you say "the volume of production" instead of selling price ?

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MR. GORDON: Because in any year we would sell all our production.

MR. McRUER: Then, you sell everything except what is taken into inventory?

MR. GORDON: Yes, we have assumed it was all sold.

MR. McRUER: How are goods that are taken into inventory valued?

MR. GORDON: They are valued at inventory values, but you see there was an inventory the year before that was sold. It is overlapping. I am dealing with production here so I have to leave out here -- I would have to assume it was all sold.

MR. McRUER: What I am getting at is although wages maintained at the same level from 1934 to 1936 --

MR. GORDON: Wages are not here, Mr. McRuer.

MR. McRUER: Are wages not in this?

MR. GORDON: They are included in the total cost of production but they are not their separately.

MR. McRUER: We have them under "B".

MR. GORDON: Part of "B", they are only one part.

MR. McRUER: What else is there besides wages?

MR. GORDON: Everything else except raw material. There is all our power, coal, supplies and taxes, regular taxes, municipal taxes, everything that goes in. Repairs will be in there too.

MR. McRUER: You see between 1934 and 1936 there is a steady rise in "B" although wages were level so that evidently the workman was not getting a proportionate rise along with these other incidental

costs of manufacture.

MR. GORDON: You will get that when we come to the next chart. This is in terms of dollars and cents and the increased production, particularly in 1934, put that up and then the increased wages paid in 1934 put it up there again in 1935. This is all proportionate to production. It goes up and down with the production. If we just turn to CG-2 the first line at the top there, the black line which is labelled "D", that is the volume of production in millions of pounds that we turn out -- that we have turned out each year from 1916 to 1936. That line is lifted right from Mr. Fessenden's chart. I think he called it number 5, and it is copied on here, and it indicates really the operating scale of our mills or the extent to which we do function. Now, we take that production and divide it into the three lines "A", "B", and "C", and we get cost -- first of all we get the selling value per pound of production. That is in "E". In "F" we get the cost per pound of production and in "G" we get the profit per pound of production. That is what those three lines indicate. Perhaps, as I have prepared these, sir, perhaps if I just read it it will explain it. We have obtained -- I am taking the two charts together now and just describing what they show, interpreting them.

"We have obtained two lines, Aand B, which are independent of the cost of raw material and which individually reflect faithfully the added value created by manufacturing operations and the

"cost of creating that added value".

THE COMMISSIONER: Pardon me, Mr. Gordon; what are you reading from, which sheet?

MR. GORDON: I am reading the interpretation of charts CG-1 and CG-2. I did not start at the top. I had really covered part of it in my preliminary remarks.

"The difference, or 'spread' between 'A' and 'B', between these two lines each year represents the indicated amount of money available to meet all other charges over and above the bare manufacturing costs, that is, such charges as bond interest, income tax, preferred and common stock dividends. It should be noted that I use the term 'indicated amount of money available' advisedly, for while the manufacturing cost figure is actual the added value created by manufacturing operations", as indicated by line "A", -- "was not a realized value but was subject to such factors as being sold at lower or higher prices than were given to it for valuation of production."

That is it might be produced during the year but sold a little later on at a different level. However basically it does represent the value of our production year after year in dollars and cents, or theoretically the value we add to our raw material.

"With this reservation we can look at line "C", -- the one at the bottom of CG-1 --"which measures the 'spread' between lines 'A' and 'B'

"each year as expressing the amount of 'Profit' before bond interest etc., arising out of manufacturing operations. This line indicates that the years 1919, 1921 and 1927 were the more profitable years in the Company's history since 1916, while the poorer years were 1924, 1930, 1933 and 1935."

MR. McRUER: Then, 1916 doesn't seem to have been among the most prosperous; 1916 and 1917, at the time the prayers were being offered up, seem to have been dull years.

MR. GORDON: I think it was 1918 and 1919 the prayers were answered.

"The dotted line extending from"--

MR. McRUER: I thought 1917 was regarded as a very profitable year, and yet it seems to have been--

THE COMMISSIONER: These are fiscal years?

MR. GORDON: Yes, my lord, ending March 31st of the year indicated.

MR. McRUER: It seems to have been less profitable according to this chart than the year 1933, or 1934.

MR. GORDON: You cannot judge by this chart altogether because it only shows it from the manufacturing angle, and it would not take into account if, say for example, at the end of the year there was a big rise in the value of raw cotton.

MR. McRUER: What I do not understand is we had it argued yesterday that everything was going so hard during these War years, that the machinery was being

all worn out and wrecked to death and yet on this chart the years 1933, 1934 and 1935 all seem to have been more profitable years than 1916 and 1917.

MR. GORDON: You are looking at it from CG-1 but that is the total money arising. You have got to relate it to the production as shown in CG-2, and then look at line "G" over in the right hand corner there and see how low it is. That is your true profit.

THE COMMISSIONER: The true profit is the last line on CG-2?

MR. GORDON: Yes, my lord, per pound of production.

MR. McRUER: They are not very far off the War years of 1916, 1917 and 1918. 1930 is above it, 1931 is above it, 1932 is above it, 1933 is above, 1934 above, 1935 is above; I think they are all above, all the depression years are above the War years according to this chart.

MR. GORDON: Are you looking at the dotted line or the full line?

MR. McRUER: At the full one.

MR. GORDON: Of course, there was only sub-normal depreciation taken.

MR. McRUER: They are very close. I would have hesitated even to have argued that your profits during the depression years were more than or equal to your profits during the war years.

MR. GORDON: When you speak of the War years the really profitable years if you look at our statements were 1918 and 1919 and to some extent 1920.

MR. McRUER: Oh, I think those gentlemen that

were thankful in 1917 had good reason to be according to the balance sheet.

MR. GORDON: It is all set forth in the actual figures. It does show, of course, 1919 was the best year.

MR. McRUER: However, I will reply to this in due course.

THE COMMISSIONER: According to this 1919 was the most prosperous year.

MR. GORDON: Yes, my lord, and that is borne out by everything --

THE COMMISSIONER: Between 1916 and to-day.

MR. GORDON: Yes, both from the point of view of total income and income per pound.

THE COMMISSIONER: 1921 comes next.

MR. GORDON: Yes, 1921 came next. It shows on both charts as a high year.

THE COMMISSIONER: Go on.

MR. GORDON: I will skip a little bit. I have described about the depreciation already, my lord. I do not need to read that again. The period ended in 1933, if normal depreciation had been taken the indicated manufacturing profit approaches very close to zero, very close to the bottom of the page, that is, practically non-existent.

"While Chart CG-1 is interesting in itself, it does not tell the whole story, as the volume of production on whihh the indicated manufacturing profit was earned is not indicated."

That is what Mr. McRuer was complaining about.

"On Chart CG-2 the top line "D" measures the volume of production each year in millions of pounds. Then the line E shows the result of dividing that production into the added values of production denoted by line A on Chart CG-1, so that line E denotes the added value per pound created by manufacturing operations each year, while line F shows the manufacturing cost per pound each year and line G is the indicated manufacturing profit per pound each year"--

THE COMMISSIONER: The profit per pound is what you are showing there. What Mr. McRuer has more in mind is the total profit, the gross profits, or the net profits, if you like.

MR. GORDON: Of course, the profit per pound shown by line "G" comes from dividing the figure indicated by line "C" on the first chart by the figure indicated by line "D" on the second chart. This figure at the bottom, line "G", is only obtained by dividing line "C" by the volume of production, the pounds of production. "In the same way the criss-crossed line "F between 1930 and 1934 shows what would have been the manufacturing cost per pound had normal depreciation been taken while the broken line G between 1930 and 1934 shows the indicated manufacturing profit per pound had full normal depreciation been taken.

I think the most instructive and informative data shown on Chart CG-2 for the purposes of this Commission is obtained by studying the trend of

"lines E and G", on chart CG-Z, "in conjunction with the volume of production shown by line D. Line E, in effect, represents the average cost per unit of production to the consumer"--

THE COMMISSIONER: Represents the average cost--

MR. GORDON: "--represents the average cost per unit of production to the consumer of manufacturing".

THE COMMISSIONER: Well, by the "consumer" you mean the people you sell to?

MR. GORDON: Yes, I should say to our customers. "--of manufacturing the goods produced in the mills, apart from raw material cost, which of course fluctuated with the market value of raw cotton and was beyond the Company's control. It is interesting to note that apart from the peaks created by War-time and immediate post-War conditions there has been a gradual reduction in the added value per pound, although not accompanied by a corresponding reduction in the manufacturing cost per pound. The result of course has been a gradual reduction in the Company's manufacturing profit per pound as denoted by line G. This has not necessarily meant a corresponding reduction in total manufacturing profit, because even with a reduced added value per pound and a lower manufacturing profit per pound if the number of pounds produced is large enough the profit per pound times the pounds may still yield an adequate figure of indicated manufacturing profit. The year 1934 is a case in

"point. After charging full depreciation that year for the first time since 1930, the manufacturing profit per pound was very moderate, but combined with a high production it resulted in the best indicated profit since 1928. In both 1935 and 1936 the manufacturing profit per pound of production and the pounds produced are less than in 1934, so that indicated manufacturing profits have been lower in these last two years than in 1934, as denoted by line C on Chart CG-1".

It has fallen off a bit from the 1934 peak.

MR. McRUER: But still making more money.

MR. GORDON: Not except we get it from our investment account.

MR. McRUER: No, but at the present time -- I am judging from Montreal Cottons.

MR. GORDON: We haven't got 1937 out yet.

MR. McRUER: But they made more money in 1936.

MR. GORDON: No, they did a little better than 1935 according to this but not as well as in 1934. That is shown in CG-1, line C, at the bottom.

MR. McRUER: The statement in December indicated they were making more money, the statement given out to the public in December.

THE COMMISSIONER: All this is cost per pound.

MR. GORDON: No, we are now back to line C.

THE COMMISSIONER: Of the first chart.

MR. GORDON: Where it really shows the result per pound and the volume together.

THE COMMISSIONER: Oh yes, and 1934 was a better

year than 1936?

MR. GORDON: Yes, my lord, because our volume was a bit greater for one thing.

MR. McRUER: Does line C indicate the net result to the company?

MR. GORDON: No, only so far as it can indicate it from the facts we deal with here. It does not agree with the annual statements, for example.

MR. McRUER: Why not?

MR. GORDON: Because you have got your income from investments for one thing and you have got perhaps special charges to surplus account and various things.

MR. McRUER: But here we have again in 1933, 1934, 1935 and 1936, all higher than 1916 and 1917.

MR. GORDON: Yes, that is right; the company is a lot bigger, of course. It is natural we would earn more, but it is the cost per pound, after all that counts, and it is all lower than 1916, 1917 and 1918, after taking off your same proportion of depreciation.

MR. McRUER: But there is a long list of other things taken off.

MR. GORDON: Well, I was not dealing with those. Then, I say, making a final statement --

" The great importance of volume, under the low manufacturing profit per unit of volume obtaining in recent years, is made very apparent if the Company is to be operated at a profit."

THE COMMISSIONER: That is to say, your unit profit is so low that you require a great deal of volume

to make a profit.

MR. GORDON: Yes, my lord, that is the whole story.

THE COMMISSIONER: What data did you make these charts from; is it data we have in evidence?

MR. GORDON: Yes, my lord, the essential lines, the lines that everything else is based on are lines "D" --

THE COMMISSIONER: Yes, I know. I see that now. I would like Mr. Whiteley to go into this.

MR. GORDON: Line "d" is to be found on Mr. Fessenden's chart.

SECRETARY WHITELEY: Can you make up the tables from which you have drawn the charts?

MR. GORDON: Yes, I can give you all the foundation behind it.

THE COMMISSIONER: We will put these in in the meantime to give them a number, and then Mr. Whiteley will do some work on it.

MR. GORDON: I can give Mr. Whiteley the whole thing.

THE COMMISSIONER: That will be number 1361.

EXHIBIT NO. 1361: Charts CG-1 and CG-2.

MR. HEWARD: Mr. Berry's last charts were 1360.

THE COMMISSIONER: Yes.

MR. HEWARD: Now, my lord, I am now going to pass to another subject. During the course of my argument in regard to the return on investment, your lordship suggested that I should address myself to the argument relative to the basic justification of the continued existence of the cotton manufacturing industry in Canada.

THE COMMISSIONER: No, not so much that, its continuing to receive tariff protection.

MR. HEWARD: Well, as a protected industry then, and I said I would try to do so and I now propose to make that effort. The matter is one of considerable complexity and requires such careful reasoning that with your lordship's permission I will stick pretty closely to my notes.

THE COMMISSIONER: Yes, that is alright.

MR. HEWARD: I do not propose to cover again the grounds so well developed by Mr. Kellock in his argument on behalf ot the industry in general, the textile industry in general. He placed before your lordship considerable data in regard to the number of establishments maintained by the industry, capital employed, the number of employees, annual pay roll, value of the materials used, the gross value of production and the net value of production, and the proportion borne by salaries and wages to that net value. He has set out in his brief and in his argument these things. He also dealt with the feature --

THE COMMISSIONER: Only some of these things are pertaining to you.

MR. HEWARD: Yes, my lord, I am not going to deal with this again. He also dealt with the feature that the industry was a light industry employing a large proportion of females and young persons, and it is a necessary economic complement to the operations

of heavy industries which employ only men, and he discussed at some length the historical association of the industry with the economic and social development of Canada, and its intimate association with national progress, and the important part which it has played in the industrial and social life of many communities. He pointed out that the governments of the principal countries of the world have recognized the advantages of producing textile products within their borders because of the diversified employment for both workers and capital which it provides and because circumstances might arise in which a nation would find itself obliged to rely upon its own means of producing textiles, and the numerous articles of clothing made from textiles, and I might add to that other necessities of life, and the various industrial textiles which are necessary for the carrying on of a great many other industries such as in the manufacture of tires and other rubber goods, belting, artificial leather, and many other similar articles. In that connection, my lord, I have an advertisement which appeared -- of my client -- which appeared in Fraser's Directory which shows the various classes of goods that they make as raw materials for the -- I saw "raw" in the sense they are raw relatively to the other industries -- raw materials for many Canadian industries. There is the grey and white division, for instance, which makes for cotton bag manufacturers cement bag ducks, grey and bleached cloths for flour bags, salt bags, sugar bags. It

makes for oilcloth manufacturers wide plains, drills and specially woven cloths. I don't think I need to go into all the various classes it makes. It makes materials for tent and awning manufacturers, for rubber goods manufacturers. For instance, there we have rubber footwear ducks and all types of wide and narrow plains and drills, to specifications. It makes goods for leather cloth manufacturers, for window shade manufacturers, for asbestos manufacturers, for trunk manufacturers. Its dyed and printed division makes goods for shirt manufacturers, for underwear manufacturers, for corset manufacturers, for clothing manufacturers, for dress manufacturers, for drapery manufacturers and for bedding manufacturers, and my client points out to me that this does not pretend to be exhaustive. It is just an advertisement showing some of the things they do.

Then, its yarn division makes goods for knit goods manufacturers, for carpet manufacturers, for paper felt manufacturers, for electrical manufacturers such as laid yarns for insulation work and so forth, for mop manufacturers and for specialty cloth manufacturers. Now, these are the things that we make for other industries carrying on business in Canada. I don't know whether your lordship wants that filed or not but that is the gist of it.

THE COMMISSIONER: It is read into the record; we have it.

MR. HEWARD: I have not read all the articles which we make for them. I think it would be taking

too much time to read them, but they are under each class of manufacturers.

THE COMMISSIONER: Show it to me. It will either be just taken into the record or filed. Well, we will put it in and give it a number; 1362.

EXHIBIT NO. 1362: Advertisement of Dominion Textile Company from Fraser's Directory.

MR. McRUER: I was not just quite able to follow what the suggestion was before you started to read this, that there might come a time when the Canadian consumer was unable to get these things unless we had the domestic industry. I was wondering --

MR. HEWARD: Mr. Kellock I think dealt with that at great length, didn't he?

MR. McRUER: No, I don't know about making that suggestion.

THE COMMISSIONER: He didn't surely say that because I suppose they could always be gotten in from other countries.

MR. HEWARD: That might be, my lord, but supposing we were relying -- supposing we were at war with a European country and were not at war with the United States, but the United States was so busy supplying the other countries that they did not want to supply us, and we did not have the industry here ourselves. That is what I mean.

MR. McRUER: We would have to go inrrags.

MR. HEWARD: We would have to go nudist.

THE COMMISSIONER: Go back to the fig leaves; turn over a new leaf.

MR. HEWARD: With everything Mr. Kellock said in that regard I fully concur, and I support the plea that he put forward in that regard, but as I said before I do not propose to go over that ground again except insofar as I have dealt with our own particular company.

It may be of interest, however, to give your lordship the following facts in regard to the Dominion Textile Company. We have already had in some detail the figures as to invested capital and the value of the investment, and it will be seen from exhibit 329, that is the financial history of the company, that the share capital of the company in 1934 was held by 2811 shareholders, that the average number of shares per shareholder was 103, and 92.8% of all shares were held by shareholders resident in Canada. 76.3% of the outstanding stock is held by shareholders who individually own less than 2% of the total issue. It cannot, of course, be stated with accuracy by whom the bonds of the company are held as substantially all of these are bearer bonds, but that they are largely held in Canada may be fairly deduced from the fact that the new issue of bonds in 1935 to replace the then existing issue was payable solely in Canadian funds and was sold in Canada, and some of the bonds were exchanged for old bonds but the old bonds were Canadian currency bonds as well.

My partner, Mr. Ballantyne, will deal in some detail with the question of the amount of employment

given and wages paid by the Company and I shall therefore not touch on that subject.

While the Company's raw material for its cotton manufacturing is of course purchased outside of Canada, the raw material for its rayon manufacturing, viscose yarn, is purchased in Canada, although I must point out that is not a large proportion of our production, and is made there, and it also purchases a great quantity of supplies of all kinds. Of $3,293,059 spent for general purchases, that is, for supplies other than chemicals --

THE COMMISSIONER: That is in a year.

MR. HEWARD: That is during the calendar year 1935, $3,293,059 spent during the calendar year 1935 for general purchases.

THE COMMISSIONER: In Canada?

MR. HEWARD: No, my lord, I am just coming to what part was spent in Canada; that is for supplies other than chemicals, starches and dye stuffs, and $2,500,099 was spent in Canada, and of $1,226,431 spent in the purchase of chemicals, starches and dye stuffs during the fiscal year ended 31st March 1936 $322,117.08 was spent in Canada.

THE COMMISSIONER: How much?

MR. HEWARD: $322,117.08.

THE COMMISSIONER: ~~Itxix~~ Out of what?

MR. HEWARD: That is for dye stuffs, out of $1,226,431. It is estimated that in the year ending 31st March 1936 of $1,150,000 paid for transportation by freight, express or steamship, over $900,000 went

to Canadian carriers for carri ge in Canada, $900,000. As was already pointed out in the evidence and argument during the year ended March 31, 1936 $819,541.60 was paid out or set aside for taxes to various taxing authorities in Canada. I do not propose to deal with those features at any greater length, my lord.

I think, however, that I can perhaps usefully discuss from another point of view the question of whether the cotton textile industry should be preserved for Canada. That other point of view is the general question as to whether the great services that the textile industry as a whole furnishes to the nation could be to still greater advantage dispensed with and replaced by other industries performing equivalent services at less cost to the consumer. Is that approaching the question properly, my lord?

THE COMMISSIONER: Yes.

MR. HEWARD: As I have stated above, Mr. Kellock has fully expounded in his brief and in his oral argument the facts concerning the volume of employment, etc. I think it is self evident that it is most important for a nation to have its citizens gainfully employed, and in this connection it is interesting to note the pronouncement made by the Minister of Finance in his budget speech on February 25th last in discussing unemployment. In Hansard of February 25, 1937, page 1324 he said in discussing unemployment;

> "The real solution must come and is coming through the expansion of private enterprise based on conditions favourable to the more extensive
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"development of our primary and other industries". So that the country is looking to private enterprise and the development of primary and other industries to absorb unemployment.

THE COMMISSIONER: Could you tell me there what you think he means by "primary industries"?

MR. HEWARD: I take it he meant, my lord, primary industries such as agriculture, fishing.

THE COMMISSIONER: Industries that deal with what you might call raw materials indigenous to the country.

MR. HEWARD: Raw materials that are found in the country, lumber industry and newsprint, and then the other industries such as ourselves that get their raw material from outside.

THE COMMISSIONER: I fancy he must have meant something taken right out of the soil.

MR. HEWARD: There is another class of primary, of course --

THE COMMISSIONER: Natural reserves, the exploitation of our natural reserves.

MR. HEWARD: Yes.

THE COMMISSIONER: I would assume he meant that.

MR. McRUER: Development, probably, is better than exploitation.

MR. HEWARD: Perhaps we were using exploitation in the proper sense which is more like the French word exploiter.

THE COMMISSIONER: It is only when you are talking of the public that you must not exploit.

MR. HEWARD: You can exploit a thing.

The question which I wish to discuss, however, is whether the employment given by the cotton textile industry could be replaced in a more advantageous way through the creation of new industries or the greater development of other existing industries, and I include agriculture and kindred pursuits under the general term "industry".

In the first place I submit that it is prima facie evident that the textile industry as such is a helpful factor in the community, but as your lordship pointed out it may also impose certain penalties by virtue of its very existence. No one can gainsay the fact that if we do not produce our own primary textiles we would have to buy these textiles in other parts of the world. I think that fact can be extended even beyond the field of primary textile manufacturing, for there is no logical reason why the line should be drawn there and it would be equally reasonable to say that articles of clothing, household cottons such as sheets, pillow slips, blankets, quilts, towels etc., and many other types of merchandise including industrial textiles, composed wholly or in large part of cotton or other textile fibres, might better not be made in Canada, but brought in from other countries. My client is basically a manufacturer of cotton goods, so I will confine myself to that particular division of the industry in my development. It is perhaps not very generally realized to how great an extent other industries in Canada not often associated in the public

mind with cotton goods actually require and make use of cotton goods in manufacturing their own products, both for the domestic and for export markets. When such industries are permitted to import their requirements of cotton goods free of duty for incorporation into manufactures to be exported -- there is a 99% drawback on goods coming in which are used in articles for export -- and to a certain extent also free of duty or at very low rates of duty for domestic sale as well -- there are some cases of that, my lord -- the extent to which under those circumstances cotton goods manufactured in Canada are actually used is a tribute to the function and service which the Canadian cotton manufacturing companies perform and which apparently cannot be performed equally well by cotton manufacturers in other countries. It is indeed not going too far to say that it is very doubtful whether many of those concerned availing themselves of the services of the cotton industry in Canada would in their turn continue to manufacture their products in Canada, both for domestic and export sale, if they could not buy cotton goods manufactured in Canada. Many cloths manufactured in my client's mills are made to particular specifications and are made in the particular quantities and at the particular times called for by its customers. It might be argued, my lord, that this means no tariff protection is required, but such I submit is not the case, for my client's mills could not economically and successfully operate on that type

of business alone and it must be supplemented by quantities of other types of goods which my client could not manufacture and sell at the same prices as similar goods could be landed in Canada if there was no protection.

MR. McRUER: May I interrupt you there, Mr. Heward? That is a thing that has puzzled me all through this inquiry, and that is whether there is not a type of goods, exactly as you describe, that can be most economically manufactured by your clients, and then you say you could not go on without tariff protection, unless you had something to supplement them, but without the tariff protection that you have couldn't they be manufactured economically and satisfactorily by your clients and it would be much better for the consumer to import free of duty the ones that you call upon us now to impose a duty on so as to supplement those that are economic to manufacture here.

MR. HEWARD: That is just the point I think I have made.

THE COMMISSIONER: You were proceeding to that very thing, weren't you?

MR. HEWARD: Yes, my lord. That is just the point I have made, that we could not. It might be argued that no tariff protection is required because even where goods are coming in free for other industries -- other industries can get their goods free or at a very low duty -- we are supplying them, but that is not the case because we need something to supplement that. We could not successfully and economically

operate on that type of business alone, and it must be supplemented by quantities of other types of goods which it could not manufacture and sell at the same prices as similar goods could be landed in Canada without protection., and it could not sell those other goods, just because they are produced in Canada, at higher prices than those at which imported goods might be offered to this market for a time after protection was removed. I say "for a time after protection was removed" advisedly, and this brings me to another phase of the situation.

Frequent reference has been made here to the cost to the consumer of the duty on imported goods, either because the consumer buys foreign made merchandise and has to pay the duty levied on it, or because if he buys similar goods made in Canada it is assumed that the Canadian mill prices reflect fully the incidence of the duty. The latter assumption is incorrect in many cases, but quite apart from that fact the real position of the consumer in the situation should be made clear. When we speak of the consumer I think all of us mean people like ourselves and many others in various walks of life, all of whom at one time or another must actually purchase cotton goods in one form or another. It is the price that we as individuals pay for the goods that represents the real "cost to the consumer", not what some store or organization pays for them before they reach us. Few of us are able to shop in the world's markets

directly. We must shop around the corner or through the medium of the catalogues put out by the great departmental stores and similar organizations, and we must pay the prices asked over the counter or set out in the catalogues. Now the real question, so far as the cost to the consumer is concerned is "what would those prices be if there were no duties or only very low revenue duties levied on imported goods?" Here we must consider the situation from two aspects:

(a) if the cotton manufacturing industry continued to exist in Canada under such conditions, that is, no duty or very low revenue duties, or,

(b) if it no longer existed under those conditions.

It seems self-evident that for the mills to continue manufacturing and selling they would have to retain a fairly substantial volume of the total business available, and it is equally evident that if that volume was only 50% of what they are obtaining under a protective tariff, their manufacturing costs and selling prices would have to be considerably higher than under existing conditions.

MR. McRUER: I wonder if that is true.

MR. HEWARD: I think so.

MR. McRUER: Supposing you are manufacturing certain staple lines that every person in the Dominion had to have. We will take, for example, bed sheets; everybody in the Dominion sleeps on a bed sheet more or less. You have these certain staple lines. On the other hand there are fine lawns that very few people have. Now, is it true that there would not be

the volume if they were not attempting to cover the whole ground of cotton manufacturing?

MR. HEWARD: We are assuming -- we are taking off 50% here. We are taking away 50% of what we have and I think it follows that if 50% of our production is taken away by a foreign market -- by a foreign supplier, I mean -- I think it follows that the volume of production being smaller the price per unit will be higher.

THE COMMISSIONER: Of course, that is another way of putting it. The real question is if the foreign article was cheaper here the consumer would buy it; he would not buy your article.

MR. HEWARD: Yes.

THE COMMISSIONER: There is no use saying our article costs twice as much.

MR. HEWARD: That is under my first illustration, my lord, where I say "if the cotton manufacturing industry continued to exist in Canada under such conditions". Now, there must be some conditions --

THE COMMISSIONER: I suppose you are trying to show here your costs would become so much higher it would be higher than the imported article.

MR. HEWARD: Not exactly, my lord.

THE COMMISSIONER: If that was the case you would go out of business because if I was buying a pair of bed sheets all other things being equal I would buy the lower price of the two.

MR. HEWARD: Well, I will carry on. I think perhaps

you are just a thought ahead of me here, my lord. We are dealing now with the situation -- let us assume that these foreign goods come in, but they only take up 50% of the market, and we have 50% of our production left. I don't know how that could happen, but we are assuming it because I think we get forced into that conclusion in a minute. So that if they only have 50% their manufacturing costs and selling prices would be higher, considerably higher than under existing conditions.

THE COMMISSIONER: Such a situation might only arise if this country could only get 50% of its goods from other countries.

MR. HEWARD: Yes.

THE COMMISSIONER: And if the remaining 50% had to be made in Canada, but, of course, that would never happen.

MR. HEWARD: I don't think so. I think we are going to find it is not a feasible illustration. The importer would thereby be put in a position to place a higher mark-up on his imported goods and still undersell the domestic manufacture, and there is evidence to the effect that the retailer expects and gets a higher mark-up on imported goods than he does on domestic goods. That is Mr. Fletcher's evidence, page 6745, lines 6 to 15. He was Simpson's man. So that the importer would thereby be put in the position to place a higher mark-up on his imported goods and still undersell the domestic manufacturer while the consumer, whether he

bought domestic goods or imported goods would be faced with higher prices all along the line.

Therefore, for the consumer to benefit from a lower tariff we must have, I think, condition (b).

THE COMMISSIONER: Yes, the possibility of getting 100% of his requirements outside.

MR. HEWARD: Yes, condition (b), that is, that the textile industry no longer exists in Canada. That is, the Canadian manufacturer has passed out of the picture, or is a negligible factor in determining the price level. In this situation imported goods would practically have the field to themselves and the importation of such goods for resale purposes and for further manufacture would tend to concentrate itself in fewer and stronger hands, as it is the domestic mills which to a very large degree extend or furnish the credit facilities required by the smaller distributor or manufacturer, or by the secondary manufacturer, and which credit facilities could not be assumed by the manufacturers in other lands. In other words, the big distributor here would take the credit position of the manufacturer to-day. If I might digress for a moment I might remark that it is rather interesting to note that most of the larger cotton manufacturing concerns in Canada today were originally started by men like Gault and Morrice who were first -- before they had been manufacturers they were merchants of cotton goods and other textiles, wholesalers, and that the very manufacturing organ-

izations they were responsible for creating have performed quite a different function than was contemplated in the first instance, namely, they have assumed the task of furnishing credit which has allowed smaller wholesalers to spring up, in addition to the large wholesalers, and have taken over to a certain extent the distribution to secondary manufacturers which was formerly carried on by the large wholesaler.

Now, to return to a condition where the distribution and further manufacture of cotton goods had passed into a few hands that might not result in monopolistic control, but there is quite a probability that it would, and it seems very doubtful whether in the long run, after having sacrificed the manufacturing industry along with a large number of smaller distributors and secondary manufacturers the consumer would derive the benefit of lower prices when he made his purchases.

However, even if we assume that no tariff or low tariffs would result in lower prices, would the benefit accruing to the consumer offset the loss to the country of the structure now built up on the existence of the industry, in the event that

(a) no equivalent industry or industries would come into existence to take up the slack of unemployment, purchases of materials and supplies, use of transportation, coal, power, payment of taxes, etc., or,

(b) other industries could be created or expanded?

Now, there are two alternatives. Could the benefit accruing to the consumer offset the loss to the country of the structure now built up on the existence of the industry in either of those events? The first event is when we pass out of the picture and equivalent industries come in -- the first event is that they do not come in -- and the second is that equivalent industries do come in or the existing industries expand.

THE COMMISSIONER: Well, we will take a recess.

-- The Commission adjourned for a short recess.

(page 18010 follows)

-- On resuming at 4.10 P.M.

MR. HEWARD: My lord, I was dealing with the part of my argument where I said:

"However, even if we assume that no tariff or low tariffs would result in lower prices, would the benefit accruing to the consumer offset the loss to the country of the structure now built up on the existence of the industry, in the event that

(a) no equivalent industry or industries would come into existence to take up the slack of unemployment, purchases, of materials and supplies, use of transportation, coal, power, payment of taxes, etc., or

(b) Other industries could be created or expanded?"

"Before dealing with (a)...."

That is where no equivalent industry would come in,

"....I might just deal with a particular point which your lordship referred to, namely, the possibility of an increase in customs revenues under a revenue tariff policy. I think we can safely assume that the average incidence of the present tariff is somewhere between 15 and 20% ad valorem onthe total value of cotton goods imported into the country, including those having free entry..."

THE COMMISSIONER: Between 15 and 20%?

MR. HEWARD: Between 15 and 20% ad valorem.

"....and we know that total of all imports is about 25 % of the total consumption. Now,

if the tariff were lowered to a revenue duty of 5%, let us say, the quantity of goods imported would have to more than triple before the same amount of revenue would be collected as is collected at present. Unless total consumption of cotton goods increased very largely under the new conditions, the most that could happen if the domestic mills....."

THE COMMISSIONER: I beg your pardon, when you are giving rates of duty you are giving the British Preference rates, I suppose.

MR. HEWARD: British Preference rates. This is supposed to be an average over everything, my lord.

MR. McRUER: Not 18% an average?

MR. HEWARD: No, between 15 and 20%. Most of the goods come in from Great Britain at 15% or lower.

MR. McRUER: That is duty-paid on goods that come in?

MR. HEWARD: Yes.

MR. McRUER: Of course that would be all practically British Preference because of the low amount of goods that come in from other countries.

THE COMMISSIONER: I should imagine so but you are giving me between 15 and 20%.

MR. HEWARD: Is the ad valorem on the total value?

THE COMMISSIONER: Of the goods that actually come in?

MR. HEWARD: Yes.

THE COMMISSIONER: That is by no means the average of the total duties payable?

MR. HEWARD: That would be payable that come in under the present duty at the present time. No, it is the percentage ad valorem on the total value of cotton goods imported into the country under present conditions, it is the revenue to-day ---

MR. McRUER: If they do not come in from any country, although the duty may be 50% as between here and that country, there is none paid.

MR. HEWARD: No, but this is actual duty paid on the goods that come in, and that leads up to the next step in my argument:

"Now, if the tariff were lowered to a revenue duty of 5%, let us say, the quantity of goods imported would have to be more than triple before the same amount of revenue would be collected as is collected at present. Unless total consumption of goods increased....."

THE COMMISSIONER: I just want to test what you say. Suppose the only duty on cottons - you are talking of cottons?

MR. HEWARD: Yes.

THE COMMISSIONER: was 5% and they all come in, they were all imported goods, what would the result be?

MR. HEWARD: They all came in, all 5% ---

THE COMMISSIONER: According to you you could not survive?

MR. HEWARD: No, we are ---

THE COMMISSIONER: If the duty against all cotton goods was a flat one of 5% the home industry could not survive.

MR. HEWARD: No.

THE COMMISSIONER: Therefore all our cottons would be imported.

MR. HEWARD: Yes.

THE COMMISSIONER: How much would that yield?

MR. HEWARD: Four times as much as to-day.

MR. McRUER: Oh no, because all of the domestic production would then be coming in and there would be 5% paid on the domestic production.

MR. HEWARD: Yes, but 25% is now coming in already so that it would be four times as much as to-day coming in but the yield would be only slightly greater because the duty would be 5%, and that is ---

THE COMMISSIONER: If you put it down to 5% of course, but I think that other countries that have tariffs that they call "For revenue only" have more than 5%. I think Sweden, if I am not mistaken, it has a flat rate of 15%.

MR. McRUER: I think it is 10%.

MR. HEWARD: There are some parts of our tariff that of course are not higher than 10%.

THE COMMISSIONER: Oh, parts. Say everything

coming into this country has to pay 5%, 10% - I think in Sweden 15%. You could not compete then.

MR. HEWARD: We could not compete then. There is some come in at 10% now. There are some at 7½ and we cannot compete.

THE COMMISSIONER: You see you have been arguing right along - and you must not forget this, you must stick to realities - that your present protection is not really enough. Well, if the present protection is really not enough you could not survive on anything else.

MR. HEWARD: No, I don't think we could, my lord.

THE COMMISSIONER: Therefore the tariff for revenue might be greater than 5% or 10% and still be left on all cotton goods used in the country and they would all come in.

MR. HEWARD: We are saying it is not enough to give us an adequate return, it is enough to keep us in existence.

THE COMMISSIONER: I say if it was lowered in any great proportion you would not even have an adequate return, you would not continue in existence - I mean on your own statements.

MR. HEWARD: We would be out of existence and of course there would not be the same saving to the consumer if we dropped it to 5% in my example.

THE COMMISSIONER: Quite right. The consumer has to pay the tariff.

MR. HEWARD: So that in the example I have given, if it were dropped to 5% the quantity of goods imported would have to more than triple before the same amount of revenue would be collected as is collected at present, because we have said that the average is between 15 and 20%, and that is why I say more than triple, if it were dropped to 5%.

"Unless total consumption of cotton goods increased very largely under the new conditions, the most that could happen if the domestic mills ceased production entirely would be for the quantity of imports to become four times as great as at present, so that the possibility of increased revenue from a revenue tariff policy is very limited."

THE COMMISSIONER: We were given the figures of the total customs receipts - I forget whether on all textiles or on cottons alone. Was it $32,000,000 last year?

MR. McRUER: We have that filed as an exhibit, my lord.

MR. HEWARD: I am afraid I was not here.

THE COMMISSIONER: I think it is on all textiles.

MR. McRuer: Mr. Hooper is preparing some exhibits on that, my lord. We will have the importations, the duty paid over a period of years, quite a digest of them coming up as soon as ready.

THE COMMISSIONER: You had better go on.

MR.HEWARD: "While I am on the subject of duties, I should also refer to the revenue which the country receives from sales tax; not the sales tax on the Company's products, because that would be replaced by sales tax on imported goods, but the sales tax on what it buys. Only a limited number of things the Company has to buy to carry on its business are exempted from sales. tax. The line of division is whether or not the article bought appears in the finished product and the exemptions in this connection are raw material, dyestuffs and certain starches etc.,which are represented in the finished product."

THE COMMISSIONER: And in that case you do not pay sales tax?

MR. HEWARD: We do not pay sales tax on them but we pay on the finishe d product. We do not pay sales tax on electrical power or coal - that is, Federal. We pay a city sales tax in Montreal on power and also on coal if it is bought in quantities of more than a ton.

"Sales and excise tax must be paid on a great variety of articles required for every day operation of the mills. In the fiscal year ending March 31st, 1936 excise and sales taxes paid by the DTCo on articles other than raw materials amounted to $144,234,68. All these would vanish.

The excise tax on the finished textiles coming in to replace our goods would at most only offset the excise tax on our present imports of raw material which last year amounted to $173,080.13."

That is, I say, they would at most only offset the excise tax on our present imports of raw material, but there is no excise tax on goods coming from the United Kingdom.

"Moreover, the Company if it operates at a profit splits that profit with the government, but the manufacturer in foreign lands could not be called upon to do likewise."

"It would therefore appear that the only offset to the loss of the industry would be a problematical lower level of prices to the consumer, always providing of course that the industry could not be replaced in short order, and I will deal with that matter in a minute or two. The extent to which prices would be lower is rather indefinite, but at the best it could hardly be more than the cost to the consumer of the tariff in existence today, as represented by the prices he pays for his goods. If we assume that the full amount of the average tariff incidence of somewhere between 15 and 20% is represented in the price of consumer goods today, it does not of course mean that those prices are 15 to 20% higher

than they would otherwise be. Let us take a simple illustration. An importer like Eatons or Simpsons brings in $100.00 worth of goods and pays a duty of say 18%, as he would on printed cottons from Lancashire. That makes the cost of the goods to him $118.00, and he puts on his mark-up of say 35%, bringing them up to $160.00, and that is what he sells them for to the consumer. Now, if there were no duty he would sell the goods at $135.00, so that the public would have $25.00 on $160.00, or 15⅝ cts. in the dollar. On the other hand, if the goods being brought in were to be further manufactured in Canada, for instance, into clothing, and would have say $100.00 worth of Canadian labour, profit, etc., added to every $100.00 of imported value, that $100.00 would be added regardless of whether the goods paid duty or not. In the one case we would have goods coming in at $118.00 plus $100.00, or $218.00 to the purchaser from the Canadian manufacturer, and in the other case, $100.00 plus $100.00, or $200.00, showing a saving of $18.00 on $200.00, or 9 cents in the dollar. A large proportion of the cotton goods entering Canada come in at duties under 18%, so that we have taken rather an extreme case to illustrate our point. On the average it is very doubtful whether the tariff today is taking as much as 10 cents in the consumer's

dollar for cotton goods. If the Canadian consumer could save that 10 cents would it be put to a better or more useful purpose than buying cotton goods?"

THE COMMISSIONER: You mean he might spend it foolishly?

MR. HEWARD: Would he spend it for the benefit of the country my lord? That is the point. I mean, whether he would do something that would add to the prosperity of the country with his 10 cents.

THE COMMISSIONER: I am afraid that is rather a strained argument.

MR. McKUNR: More likely to spend it in riotous living.

MR. HEWARD: He either has to spend it or not spend it.

"Would the fact that the Canadian consumer can buy certain of his cotton requirements 10 cents cheaper in the dollar put him in a position to spend money on other articles to the greater benefit of the community at large?"

That is the point.

THE COMMISSIONER: He might go to the movies more often or buy a glass of beer with the 10 cents.

MR. HEWARD: Would he put it into channels of usefulness to the community? I do on to say:

"It is difficult to say but one thing is certain and that is that 65,000 people now engaged directly in the textile industry in Canada, plus

considerable if indefinite numbers engaged in complementary and supplementary industries or services, would no longer look to the textile industry for the wages that gives them the purchasing power to buy anything."

THE COMMISSIONER: Better not increase their wages, might spend that foolishly too.

MR. HEARD: We have got to trust them to a certain extent but the point is if we give them 10 cents extra do they direct it i to channels which will replace the good we do to the country, as we maintain.

MR. McRUER: Might give them script.

MR. HEARD: "It would seem, therefore, my lord, that we could not simply throw that burden on the state, but that if we contemplate destroying the textile industry we must also contemplate the creation of new industries or the expansion of existing industries to take its place."

And that is (b) that I referred to. We were dealing before with clause (a).

"It is evident firstly, that if the 10 cts. on the dollar saved to the consumer of Canada through buying imported textiles at lower prices were all spent on Canadian-made articles of other kinds, then right away we could ~~m~~ replace ten per cent of the textile industry with other Canadian industries supplying that 10 cts. worth of other goods which the consumer would

be in a position to buy, that is, if he were not a ex-textile worker, who would not be in a position to buy anything unless he found re-employment. The real problem, therefore, is to conceive where and how the other ninety per cent. of the slack is to be taken up. It cannot be said that the textile industry per se is an obstacle to the establishment or expansion of other industries in Canada. There are about 63,000 persons directly employed in the primary textile industry. There are about 400,000 employable unemployed in Canada to-day."

THE COMMISSIONER: I thought there was more than that.

MR. McRUER: Yes, that is the latest figure. I was looking at them last night as a matter of fact.

MR. HOWARD: I thought so too but I wanted to use the latest figure and I was told that was the last estimate.

MR. McRUER: There are all sorts of figures flying around in the last few days but 400,000 is the correct one.

MR. HOWARD: "Even if contrary to Mr. Beauregard's contentions the Textile Industry is a factor in establishing higher wage levels in Canada than would exist in its absence, the existence of such a large number of unemployed in Canada would indicate that other industries could function to a greater degree than at present and yet pay lower wages than the textile industry and thus meet import competition or gain a great share

of export markets.

The main argument in this connection, therefore, boils down to a question as to whether the importation of greater quantities of textiles from other countries would in turn result in our exporting greater quantities of our products or manufacturers to those countries. If it be intended that Canada should divert a greater proportion of its productive efforts to the production of goods for export, it should be realised that in selling any goods in a foreign market we must be prepared to sell those goods at the lowest price at which any competing nation will be prepared to sell those same goods in that same market...."

THE COMMISSIONER: That brings us back to the consideration I had in mind earlier in the afternoon about the United States where the cost of production is so high, they still sell in those foreign markets.

MR. HEARD: They sell a very small part of their output and it must be ---

THE COMMISSIONER: No, they are the leading export nations in the world.

MR. HEARD: It must be things that the other nations need. I think that follows because if other nations could make the goods at a cheaper price and lay them down in the same market cheaper surely the purchasers in those markets would buy them.

MR. MCKER: No, but there are some things which are indigenous to the country and somethings not. For

instance take motor cars, that forms a great part.

THE COMMISSIONER: They certainly can undersell any country in the world in the motor car.

MR. McRUER: That is mass consumption. That is what Henry Ford based his policy on - low prices and high wages, and produced mass consumption.

MR. HEWARD: Mass consumption starting in their own country, with a market which is notopen to other countries.

MR. McRUER: But getting it down to a price that people could buy.

MR. HEWARD: "...it should be realised that in selling any goods in a foreign market we must be prepared to sell those goods at the lowest price at which any competing nation will be prepared to sell those same goods in that same market, and that to the extent to which we place our dependence upon the production of export goods to that extent we place our standard of living at the mercy of factors quite outside of Canada's control. In this connection it would also appear to be a case of export of greater quantities of things we are already producing and making, and not of new things, for there is no reason why anything for which there is a demand in other markets and which can be produced or made in Canada is not at least being produced or made and exported to some extent at least to-day. The existence or non-existence of the

textile industry in Canada cannot be held accountable in that regard, unless we are to be blamed for the general standard of living in Canada as being too high or too costly at the present time. It should be appreciated that the tariff as it exists to-day has special provisions for the importation of cotton goods under drawback of duty paid in all cases where the goods are exported again and even in some case where those goods are used for domestic purposes. The most notable and significant of these latter drawbacks is the one providing a drawback of 80% of the duty paid when those goods are finally incorporated in agricultural implements, such as combines and other harvesting machines, Item 1057, where considerable quantities of cotton duck and such fabrics are required. Binder twine enters free of duty - Item 538. The seine twines required for the construction and repair of our fishing industries' nets enter Canada free of duty. Tariff 682."

MR. McRUER: There are one or two binder twine companies that are doing extremely well in Canada. The Brantford Cordage Company and the Plymouth Cordage Company at Welland. The Brantford Cordage Company publishes a statement. The Plymouth is subsidiary to the Brantford Company.

THE COMMISSIONER: Where does Binder twine come from - from Holland?

SECRETARY WHITELEY: Most of them.

MR. McRUER: In answer to my correspondence with the Plymouth Company they said only about 25% of their output was subject to any duty, so that we do not need to worry much about them.

MR. HEARD: "Cloths designed for the manufacture of Mackintosh clothing (1010) are entitled to a fifty per cent. drawback of the duty paid, and there are other particular provisions in the tariff to reduce the effective duties to a very low point - 1030(b) and 1012 -and therefore the cost to the people of Canada of cotton goods imported for domestic use. I have already said that goods for re-export in any form may be imported and ninety-nine per cent. drawback of duty paid obtained, so that with respect to at least two of our important industries and their tools and to some extent their clothing, the textile industry in existence in Canada today is not increasing their cost of doing business."

"Now as regards the general run of clothing, household cottons, etc., if we assume that the 10 cents saved in the consumers' dollar is to be spent, then it is spent and the production cost of the former is not reduced thereby."

MR. GORDON: That should be "Farmer".

MR. HEARD: "The consumer may spend the money in ways which have nothing to do with the lowering

of the cost of his product so as to enable him to sell his goods at a lower price either in the domestic or foreign markets. So that internally the extinction of the cotton textile industry would have little effect so far as reduction of costs in other industries was concerned.

We are therefore driven in the last analysis to a consideration of whether the purchase of greater quantities of textiles from other countries would in itself lead to an augmentation of our world export business, such an augmentation as would replace at least ninety per cent of the total usefulness of the textile industry as it exists in Canada to-day." I must confess, my lord, that I cannot answer that question. I have dealt with the matter to the best of my ability and I trust I have cleared up some of the matters that you said should be considered, and I think I have narrowed the issue to the points I have just mentioned, but wiser heads than mine must take charge from that point on. It seems to me to be a question where to be really logical we must be prepared in the interests of increased exports of natural products, to sacrifice not only the textile industry but all other industries in Canada which cannot produce goods in Canada as cheaply as they can be brought in under free trade conditions or revenue tariff conditions from other countries, and wherever the production of those goods in Canada to-day is precluding

the import of similar goods from other countries. Unless the nation is prepared to travel the whole road in this direction, I submit that there is no reason why the textile industry should be singled out for sacrifice and rather that it is one of the last industries that should be forced to pass out of existence, even should it be thought best that there should be a transformation of this country from a combined agricultural and manufacturing nation to a nation which exists by virtue of primary pursuits alone."

That finishes my submissions, my lord, and all I have to add is my apology for being so long.

THE COMMISSIONER: As I told you before you are not entirely to blame for that.

MR. HEWARD: My thanks again for your enduring patience.

THE COMMISSIONER: Mr. Howard, I have looked up the question of duties we get from textiles now. In 1930 the duty paid on importations was $30,000,000, the highest since 1920, when it was $42,500,000. In 1930, as I said, it was $30,000,000 and in 1936 had fallen to $11,890,000. 1921 was the higherst, that was $42,500,000 and the lowest of all was in 1933, it was $11,134,000. For the nine months of this year, of this present fiscal year - because these are all fiscal years I am giving you ending on the 31st of March each year - for the nine months of the fiscalyear, 1936-37, it has amounted to $9,986,000.

MR. HEWARD: Thank you, my lord.

THE COMMISSIONER: Are you ready to go on, Mr. Ballantyne?

MR. BALLANTYNE: I am ready, my lord.

ARGUMENT BY MR. BALLANTYNE:

MR. BALLANTYNE ; Now, my lord, before I start my argument I wish to thank you for your patience and courtesy to me and particularly for having come to my assistance on several occasions when I got rather involved in certain cross-examinations I attempted to make, and I wish to thank Mr. McRuer and Mr. Beauregard for the many kindnesses they have shown to quite a junior lawyer and I hope I won't say anything in my argument that will make them believe that I am trespassing on that kindness.

THE COMMISSIONER: You were very young when this started out.

MR. BALLANTYNE: There is one other thing I would like to mention that has not been mentioned yet and that is, to bring to your lordship's attention the tremendous amount of work that was done by the staff of the Dominion Textile Company in supplying the information which was asked for by the Commission. And I am sure Mr. McRuer and Mr. Beauregard and Mr. Whiteley will agree with me when I say that they worked for many weeks and many hours of overtime in producing that work.

THE COMMISSIONER: Oh, I am sure there must have been a great deal of work.

MR. McRUER: I can only add to what Mr. Ballantyne has said that one cannot speak too highly of the great courtesy that we have received in cooperation from the members of the staff of the Dominion Textile Company. Any time either Mr. Howson or myself went near their place we were received with the greatest courtesy and accommodation by them.

THE COMMISSIONER: Yes, you have already mentioned that on several occasions.

MR. McRUER: I named one after another of the members of the staff who have put themselves out and it must be a great addition to their ordinary duties as employees of the company.

MR. BALLANTYNE: Well now, that last remark, my lord, brings me to a point which I wish to make right away. Mr. Beauregard has said in his Factum that in this inquiry the industry asks nothing of the Commission other than that it don't lay its hands upon the tariff or give to the worker annoyance from which both the worker and employer is likely to suffer. I think that is an accurate exposition of the position of the industry. Certainly my clients expect and hope for a great deal from this Commission. There has been a tremendous amount of information supplied and we hope that your Report in setting forth the facts as you have found them will provide us and provide the public with information which will show the importance and the utility of the industry to the Country.

Now, my lord, in the portion of our brief dealing with "Labour conditions, work loads, wages, etc." starting at page 31, the first section contains "General submissions"which cover all the various elements and factors which tend to influence in industry generally the amount and the rates of wages which can be paid.

Now, I propose before taking up our Brief to try and outline to you what I consider to be the main factors which determine in the case of the Dominion Textile Company the amount of wages which they can pay and do pay and the manner in which they pay those wages. Now, it seems to me that there are several important factors and the first of them is obviously the source from which both labour and capital can be rewarded and obviously that source is the total income of the company whether from operations, from investments, or from any other source. Now, the amount in any given year which can be used to reward capital and labour obviously is what is left over from the total income from all sources after deducting all the working and fixed charges except the reward to labour and capital. The third important factor is the manner by which this amount or pool is divided between labour and capital, and the last important factor is how the share of the pool going to labour is divided between the various classes labour and between the various workers. Now, I will go back. The size of the pool from which both labour and capital can be rewarded is a combination

of total income of the company and the total deductions which have to be made from that income for working and fixed expenses. When the total income increases, unless the total deductions also increase to the same extent, then the difference between the total income and the total deductions, which represents the pool, also increase, leaving a greater amount available for distribution to labour and to capital. The amount of this pool has varied considerably between the years 1927 to 1936. I have had prepared a schedule which shows this difference between income and fixed expenditures and he resulting amount of money or pool which was available in those years for a reward to capital and to wages. Perhaps I may interrupt my argument at this point to say that while I am outlining what I consider to be fundemental factors in the fixing of wages I do not intend this part to be conclusive at all because I will deal with other factors which influenced wages and wage levels as I come to them going through my own Brief or in discussing Mr. Beauregard's Brief.

THE COMMISSIONER: This will be Exhibit No. 1863.

MR. BALLANTYNE: If you are going to give this a number I have two other related schedules which show the method of the division of that pool.

THE COMMISSIONER: You had better put them all together, you mean?

MR. BALLANTYNE: Yes, I think it would save trouble if I put them all together.

THE COMMISSIONER: There will be three schedules.

MR. BALLANTYNE: Three schedules, my lord.

EXHIBIT 1363: Three schedules showing difference between income and Company's expenditures and money available as a reward for capital and wages.

THE COMMISSIONER: You are going to go on now and deal with this?

MR. BALLANTYNE: Yes, my lord.

THE COMMISSIONER: We will adjourn now.

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-- The Commission adjourned at 5.P.M. to resume at 10.30 A.M. Wednesday, March 10th, 1937.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

ONE HUNDRED AND TWENTY-SEVENTH DAY

(March 10th, 1937)

A R G U M E N T

Robert Brydie,
Official Reporter.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

Appearances:

J.C. McRuer, K.C. and E. Beauregard, K.C.	Commission Counsel,
R.L. Kellock, K.C.	For Primary Textile Institute.
C.G.Heward, K.C. Aime Geoffrion, K.C. and G.T. Ballantyne,	For Dominion Textile Company,
S.G. Dixon, K.C.	For Courtaulds, Limited,
L.A. Forsyth, K.C.	For Canadian Celanese Ltd. and Canadian Silk Products Limited.
Thos. Tremblay, K.C. and J.H. Hebert,	For M.E. Binz Co. Ltd.
Francois Lajoie, K.C.	For Wabasso Cotton Co.

-- oOo --

Ottawa, Ontario.
Wednesday, March 10, 1937.

-- The Commission met at 10.30 a.m.

ARGUMENT by Mr. BALLANTYNE (resumed)

Mr. BALLANTYNE: At the adjournment last night, My Lord, we were talking about some of the principal factors in fixing wages, and those which I have mentioned were the pool which was available to reward labour and capital, and I was just going to describe the amount of that pool during the last ten years and show how it was divided between labour and capital.

The COMMISSIONER: Should you not have a third factor, management, or do you include management.

Mr. BALLANTYNE: I had left management as one of the fixed costs which had been deducted from income. to leave the pool for labour and capital. As a matter of fact Your Lordship is quite correct, in that management is one of the three main factors in production; but I have a section in my brief where I deal with management in its relation to labour and in relation to its own reward separately. As far as this is concerned I was confining myself to a very broad division between labour and capital.

The COMMISSIONER: The company's management is taken out of this.

Mr. BALLANTYNE: Yes. The first schedule I filed yesterday with Your Lordship shows, for the years from 1927 to 1936, the total income from which are deducted the working and fixed expenses, leaving in each year a certain sum which was available to

reward labour and capital.

These particular figures show the limitation upon the capacity of the company beyond which it could not go in remunerating labour and capital except at the expense of using up part of its accumulated capital, which of course it was forced to do during certain bad years it had experienced in the course of the depression. But apart from that, from a revenue point of view, these figures show the expense to which the company could not go.

These figures show that when the total income declined sharply in 1930 working and fixed expenses also fell, though not to the same extent, and as a result the pool for wages and capital also declined. In 1927 there was something over seven and a quarter millions, and in 1930 something over six and a half millions.

The low point in these figures was reached in 1933 when the pool amounted to only about $4,500,000, and since 1933 there have been two successive years of decline in pool figures.

Mr. BEAUREGARD: Can we have the figures for working and fixed expenses in some other exhibit ?

Mr. BALLANTYNE: Yes; the source of that is the exhibit prepared by Mr. Glassco. There is one thing of particular note about these figures, and that is that for the years 1931, 1932 and 1933 only about half the normal depreciation was written off. If the full depreciation had been written off in those

years the pool would have been smaller in each of those years to the extent of $635,000. That particular sheet, My Lord, indicates the limitations on the pool.

The next schedule, the second one, shows as a matter of fact how that pool was divided between labour and capital. The second schedule shows for each year the pool's share of labour, the balance to capital; and there is a fourth column which I think Your Lordship should ignore. It is the column headed "Portion for Original Capital". How that came to be there is explained in this way. In 1929 the company invested something over $3,000,000 of new money in its business, and when this was drafted an assumption was madd--

The COMMISSIONER: Do you mean that new shares were issued ?

Mr. BALLANTYNE: Yes, for cash; and when this fourth column was drawn up it was assumed that that new money had a right to certain fixed returns, and it was drawn up with that in view. I do not think it should be considered as far as the purposes of this argument are concerned.

The COMMISSIONER: Can you leave it out without disturbing the other three ?

Mr. BALLANTYNE: Yes; it makes no difference to the other three. The third schedule to which I would refer Your Lordship represents an interesting calculation. It is intended to show the respective

investment of labour and capital in the ten year period, and the return ot each related to the year 1927. Your Lordship will see that they have taken for purposes of comparison in the third schedule 100 as representing the year 1927, in which year you will see, from a reference to schedule 2, that labour got sixty-five per cent of the pool while capital got 35 per cent. It is in order to express it in terms of ratio one to the other, that this calculation has been made.

Looking at schedule No. 2 it is evident that after 1930, as the pool became smaller so did labour's share in absolute amount, but not in proportion to capital share. It will also be seen that labour's absolute share in dollars and cents became smaller because labour invested much fewer man hours in 1931, 1932 and 1933, although their rate of return was unchanged until 1934.

It will be seen from schedule No. 3 that the number of hours worked in relation to 1927 was, in 1931, 79; in 1932, 77 1-2; in 1933, 70. On the other hand, capital, after investing an additional $3,375,000 in the business in 1929 not only got a smaller absolute share of the pool in dollars and cents during the years 1931, 1932 and 1933, but also got a smaller portion of the pool; that is to say, you can see from schedule No. 2 that in 1931 capital got 25 1-2 per cent, in 1932 25 per cent, and in 1933 17 1-2 per cent. Of course, these percentages

would have been much smaller had the company written off again the proper amount of depreciation. But perhaps it is unfair to identify that particular drop with capital, but the pool itself would have been smaller. In 1933, for example, labour, on its smaller investment of man hours, obtained 82 1-2 per cent of the pool; capital, with an increased investment since 1930, got the balance, 17 1-2 per cent.

The reduction in wage rates which was made in 1933 and which averaged 11.4 per cent reduced labour's return on its work in 1934, so that it got only 66 per cent of the pool in that year. But the upward revision of the wage rates in April, 1934, restored its share of the pool to 75 per cent in 1935 and 79 per cent in 1936. Further upward revision of wages was made in December 1936, which restored labour's rate of return per man hour to the old levels existing prior to 1933. But that increase in the rates will, of course, make itself evident only in the figures of 1937 which are not yet available to us.

In both 1935 and 1936 capital, with an investment considerably greater than before 1929, is obtaining much less from the pool in dollars and cents, and relatively, than it obtained before 1930. That appears from both figures on schedule No. 2 and particularly from the figures on Schedule No. 3.

Only in one year since 1929, that was in 1934, did capital have the same proportionate share of the pool that it had in 1927, although its investment

had increased from 1927, so that the 1934 investment stood at 110 per cent of the 1927 figure.

If Your Lordship would be good enough to look at Schedule No. 3, it gives one phase of the picture of what happened during the depression years. You will see that by 1933, for every one hundred man hours worked in 1927 there were only 70 man hours worked in 1933, whereas for every $100 earned in 1927 there was still $83 being earned in 1933. That is what happened as far as the labour end is concerned.

Mr. WHITELEY: Is that on the basis of equivalent full-time workers ?

Mr. BALLANTYNE: I think that is actual hours work. As far as capital is concerned--

The COMMISSIONER: What do you include in capital ?

Mr. BALLANTYNE: I include all the amount that is available for preferred dividend, common dividend, or for surplus, but bond interest in this case has been calculated in the fixed charges which have been deducted from the total of income. We could just as well put it in a return to capital too, but it would have no effect on the relative figures.

Mr. WHITELEY: Are you sure ?

The COMMISSIONER: You say it would not have any effect on the percentages ?

Mr. BALLANTYNE: No. We have already reserved enough of the income to meet the bond interest. What it would mean is that if we took bonds as the capital here we would put that much extra in the pool and take

it out again right away, which would leave us just as we are now.

Mr. WHITELEY: I do not think it would, because your bond interest remains a constant factor, while the other two fluctuate, which would tend to increase the proportion going to capital.

Mr. BALLANTYNE: I would consider it myself as a fixed charge against the total income of the company which it must pay, and therefore if it must pay it, what is left is available for the reward of capital and labour.

The COMMISSIONER: Still, it is an investment.

Mr. BALLANTYNE: Yes, it is an investment.

The COMMISSIONER: It is all right so long as we understand what you are working on.

Mr. BALLANTYNE: Taking the other column headed capital you will find that for every $100 invested in the business in 1927 there was $108 invested in 1933 but that for every $100 which capital got out of the pool in 1927 it got only $26 in 1933. In 1936 the figures show that labour is contributing 86 1-2 man hours for every 100 hours invested in 1927, so that it is drawing out of the pool $99 per every $100 it drew out in 1927. On the other hand, capital in 1936 had an investment of $107 as compared with $100 in 1927, and was drawing out of the pool $47 for every $100 it took out of the same pool in 1927.

My submission with regard to these statements which deal with only one main aspect of the wage

question is that they show, among other things, first of all the limits within which a company must operate when it rewards labour and capital. In whatever way it is calculated there is a pool there, and the difference between total income and the fixed expenses is the amount beyond which the company cannot go, both in paying dividends and in paying wages. The second thing it shows is the manner in which the policies of this company during the period have operated in the division which was made between the funds available each year as between capital and labour. And the last important thing which these figures show is that during these ten years the share of labour in the pool has been increased relatively to capital and has been prevented from falling more severely than it did fall during the critical years, absolutely, in dollars and cents at the expense of capital, with which it shares the remuneration which is available from the sale of the product, which the two factors working together have made.

The next factor I should like to discuss is the question as to how the share labour gets from this pool is divided among the various classes of labour and among different workers themselves. I think that one of the factors determining the rate of this division is the worth of any particular service in the labour market. Further, it depends upon the difficulty or the complexity of any particular job, or class or job, and it also depends upon the

productivity of the worker. In the first case supply and demand and market value determine the share of any worker in labour's total of the share of the pool to this extent. It is quite clear that the company cannot obtain and employ a particular type of worker unless it is prepared to pay that worker for his work at least the price which he could get in some other occupation. Mr. Beauregard argued at some length that our policy was to obtain the cheapest labour that we could get, and he based that argument in large part upon Mr. Gordon's evidence where he set out the methods which were used by him in setting rates of wages, giving as an example the comparison between a loom-fixer and a garage mechanic.

If we take that very example, obviously we can see that the labour value of a garage mechanic, while it may have had at one some time something to do with the fixing of a minimum wage for the loom-fixer, had nothing to do with the actual wages which were being paid to him. During the years 1931 and 1932, if a garage mechanic was lucky he might get a job, and if he got a job during those years it is very probable that he would not have got more than 25 cents an hour. Now, during those same years the loom-fixers in the company's mills were drawing 48 cents an hour, and even after the reduction of wages which was made in 1933, they continued to earn 42.8 cents an hour.

If the company had been following the policy of getting its lavour as cheaply as it could, I do not think there is the shadow of a doubt that it would have reduced the wages of that class of labour down to the market level, which of course it made no attempt to do. What I think happened is that the company knowing that at the close of the year--this year,for example--it has so much money left over after paying its charges, believes that it can afford to pay, judging by past experience, a certain total in wages; and in fixing what it will pay to any particular class of worker it tries to figure out what the value of that work is. And in figuring that out it must take into consideration the market value, the difficulty of the job, and the productivity of the worker.

For example, it is obviously true, I think, that a company can afford to pay a great deal more to a weaver than it can afford to pay to a cleaner or a sweeper. In the course of manufacture the weaver adds more to the value of the product than does any secondary help such as a sweeper; and it is also true that the company must take into consideration the responsibility for so much damage in a particular job.

Mr. Gordon points out to me now that a weaver can do more damage through bad work than a sweeper can. These are just some of the general aspects which I think have affected the wage policy of the company. The others I hope to discuss later.

There is one other subject I would mention before

I start reading my brief, and that is what is likely to be the future of the textile worker in mills such as those of my client. To reach any conclusion as to what his future will be, we have to look to a certain extent to his past. Mr. Beauregard looked to his past and deduced therefrom nothing but a very black outlook for the worker. I also have been looking at the worker's past and this is what I think we can find. What has happened to the textile worker is shown I think most clearly by Mr. Fessenden's report and the graphs which he prepared. Those graphs show in a very summarized but clear form the trend or main tendencies of the industry in relation to its workers.

Mr. Fessenden's report is very thorough because he spent several weeks on this particular work and obtained and examined a great amount of material. The period upon which he predicates his chart is the year from April 1st, 1913, to March 31, 1914. The first thing of interest is to follow what he shows with regard to the working hours, and I have made a summary from his chart.

The average actual weekly hours are always shown in relation to a standard working week.

The COMMISSIONER: Where do we find this ?

Mr. BALLANTYNE: In Mr. Fessenden's charts and in Exhibit 1209. On chart No. 6 the actual average working hours per week per employee are seen to have been 50 1-2 hours in 1912, with an index figure of 90. In 1914 the week was 49 hours, with an index figure

of 88; in 1920 it was again 49 hours; in 1930 it was 46 hours with an index figure of 82; and in 1936 it was 42 1-2 hours with an index figure of 75. That, very briefly, is what Chart No. 6 shows. The trend in that period is obviously in the direction of a shorter working week, and it is clear that the working week of 42 1-2 hours in 1936 is six and a half hours shorter than the working week in 1914 or 1920.

Along with the hours of labour, the most significant figures that should be considered are the earnings of the employee per week, both from the point of view of actual money wages and in terms of real wages, because the earnings of the employee per week are an evidence of the hours of work per week and the wage rate per hour.

On Chart No. 2, Mr. Fessenden shows what the wages per employee are, what the real wages are, and they have gone up since 1914. Again, 1914 is taken as a basic year with a figure of 100. The first important fact is that by 1920 the money wages had risen to an index figure of 171.

(18050 follows)

That is, that they were 71% higher in money than they were in 1914. However, at the same time due to the War conditions the purchasing power had reduced itself by an equivalent amount so that in spite of a very considerable increase in money wages between 1914 and 1920 the worker was really no better off.

Now, if we go along from 1920 to 1930, the next period, we find that both money wages and real wages have increased since 1920. In 1930 money wages per hour stand at the index figure of 193 or 93% higher than in 1914 while real wages per hour have an index figure of 124, that is to say, 24% higher than in 1914. Now, there was an increase of 93% in the money wage and 24% in the real wage, but that increase did not all go in increased earnings to the worker because the working week in 1920 was 49 hours while by 1930 it had been reduced to 46 hours so that the worker did not get the full extent of the 93% increase in money wages and the 24%--

THE COMMISSIONER: What was the working week in 1914?

MR. BALLANTYNE: 50½ hours, my lord.

MR. BEAUREGARD: Have you got it in 1927?

MR. BALLANTYNE: No, but I could get it for you.

Now, on another chart, chart number 3, Mr. Fessenden shows the trend of money wages and real wages per actual working week, and it is shown that in 1930 the money weekly earnings on the shorter week had an index value of 182 as compared with the index value of 100 for the longer working week of 1914, and real wages ~~were~~ 115 as compared with 100 in 1914, or

1920. That amounts to this that by 1930 despite the shorter working week the worker was receiving 82% more in dollars and cents and 15% more in purchasing power than he got either in 1914 or in 1920.

Now, the last period is from 1930 to 1936, and the money wage per hour reached a peak of 199 in 1933 and then lost ground and recovered until in 1936 the index figure stands at 189 as compared with 193 in 1930. That is the actual dollars and cents wages were 189 as compared with 193 in 1930. The real wage per hour rose very rapidly after 1930 due to a swift decline in the cost of living from 1930 onwards and reached a peak of 158 in 1930-- there is something wrong there.

THE COMMISSIONER: Yes, 1930 wasn't the peak.

MR. BALLANTYNE: No, that is wrong.

THE COMMISSIONER: It would be 1932 or 1933.

MR. BALLANTYNE: Yes, I think I have got the wrong year there. I am sorry I did not catch this.

THE COMMISSIONER: You can correct it.

SECRETARY WHITELEY: Is that hourly or weekly?

MR. BALLANTYNE: The real wage per hour.

MR. GORDON: It was 1933.

MR. BALLANTYNE: Is 158 right?

MR. GORDON: It is more like 162 or 161 on this chart.

MR. BALLANTYNE: I should then say the real wage rose very rapidly after 1930 due to a decline in the cost of living and reached a peak of 162 in 1933 -- 161, and then from 1933 has declined to an index point

of 151 in 1936. The average working week of 1936 was only 42½ hours as compared with 49 hours in 1914 or 1920; So that at the end of the week the worker instead of being 89% better off in terms of dollars and cents and 51% better off in terms of purchasing power, as compared with 1920, the shorter working week had reduced those increases so that what he got more than in 1920 really was 65% greater wages in dollars and cents and 32½% greater purchasing power from those wages.

THE COMMISSIONER: In what year?

MR. BALLANTYNE: This is in 1936 when he is working 42½ hours as compared with 1920 when he worked 49 hours a week.

THE COMMISSIONER: He was 32% better off?

MR. BALLANTYNE: In actual purchasing power, yes, and he was working 6½ hours a week less.

MR. BEAUREGARD: If you follow Mr. Fessenden this would apply only to grey mills; I understand this is limited to the grey mills employees of the Dominion Textile Company.

MR. BALLANTYNE: Yes, perhaps I should have recalled that fact to your lordship that this is based upon grey mills only, but I think it is safe to rely upon that exhibit because grey mills constitute by far the largest part of the operations of the company. I think there is a difference of about -- I should say roughly 85% of the operations of the company are confined to the grey mills as opposed to the other divisions.

So far, my lord, I have been dealing entirely with the working hours per week of the average employee over each year, but it is important to remember that many employees have worked either longer or shorter hours than the average figure per week that is given in Mr. Fessenden's report. The average working hours per week per employee are also bound to be somewhat less than the average working hours of the mill during each week because there is a labour turn-over in each period. The employee who comes in for a couple of days and is then replaced by another on the same job tends to bring down the average hours worked per employee per week below the actual working hours of the great mass of the employees working the same hours that the plants were operating. I think this is quite an important point to bear in mind with regard to Mr. Fessenden's or anybody else's figures, that averages are affected by the labour turn-over, which I think runs about 10%. The great mass of the employees, of course, work right through. Each day they work the full number of hours and the full number of days per week of work that is available, and that being the case the great number of employees are therefore bound to have been closer to the higher figures indicated by the increased money wages per hour and real wages per hour, that is, the increase of 89% in the money wages and 51% in the real wages respectively over 1914, than the average employee figures which are given in these various reports.

Now, that is the situation, as I see it, from Mr.

Fessenden's report with regard to hours of labour and money wages and real wages. There has been first of all a distinct trend to a shorter week. There has been a higher money wage and a higher real wage in 1936 earned in a week which was 6½ hours shorter than in 1914.

Now, that deals with the charts from the point of view of wages, but I think it is clear that if the workers' productivity per hour of work was the same in 1936 as in 1914 the cost of production represented in wages would have increased in exact proportion to the increase in money wages and real wages per hour. Now, the answer is that in various ways the employer has been able to increase the employee's productivity per hour so that despite the increased wages per hour the production has also been increased proportionately, and in chart number one Mr. Fessenden shows that whereas an employee produced say a 100 pounds in an hour of work in 1914 in 1936 he produces 153 pounds. Now, the result of that is this, that the Dominion Textile Company has not been obliged to stand the full cost of the 89% increase in wage rates per hour, but only to the extent that the wage rates per hour have increased more greatly than the productivity per employee hour, that is, an 89% increase in wage rates compared with a 53% increase in productivity. In terms of real wage costs per pound the employer has even gained slightly since the real wage rates are 51% higher in 1936 than in 1914 compared with a 53% increase in productivity of the

worker per hour between the beginning and the end of the same period.

Now, this particular factor I think is important. No company can pretend, or would be foolish to pretend, that it can go on increasing wages indefinitely unless it, at the same time, provides the worker with better tools with which to work so that he will be able to have a greater production. Now, that is just what is shown by this report over the period. It shows that from 1914 to 1920 the management gave the worker a better tool to work with and he was able to produce more, and he was consequently able to make more. Now, there is just one other factor that I think in considering wages and hours is important. It is whether this increased productivity of 53% resulted in greater demands being made on the worker's energy, and whether it reduced the total number of persons employed by the company. Now, Mr. Fessenden has the answer to both of these questions. In the first place, he says, if anything, the demands on the worker's energy are now less handling more units of production than when handling fewer units under the older conditions, and the working week of the average employee is considerably shorter. The answer to the last point as to whether increased productivity through improved methods has reduced the employment is also to be found in Mr. Fessenden's report which shows that the actual number of persons on the pay roll has risen from 4750 in 1912 to 5900 in 1936.

MR. BEAUREGARD: Do you think that two polls of comparison in 1912 and 1936 are the proper polls of

comparison with a view to this investigation?

MR. BALLANTYNE: You mean it should be from year to year?

MR. BEAUREGARD: I would say 1930 with 1936, or 1926 with 1930, or 1933 with 1930.

MR. BALLANTYNE: I will be going over those actual figures for those years very shortly in connection with another point.

THE COMMISSIONER: You are taking Mr. Fessenden's report.

MR. BALLANTYNE: I am drawing conclusions from his report as to what happened in the past so that I hope I will have some basis for what I am going to say is likely to happen to him in the future.

Now, the conclusion which I draw is this, that as a result of the policies employed by the company the employee has shared equally with the employer in the benefits to be had from progress, using that term in its widest sense. Despite a much shorter working week the worker of to-day is earning 65% more in actually dollars and cents per week, and has 32½% more purchasing power than they had in 1920. At the same as the worker has had this increase the employer and employee are producing goods wherein the cost of labour has not been increased to unduly inflate the cost of production. That is, that this increase has been able to take place without it being necessary to increase the cost of production of the goods produced.

Now, taking these trends as shown by Mr. Fessenden,

I think that one can say with a certain amount of confidence that they are likely to continue, and that the textile worker has to look forward to higher wages and to shorter hours of work, and that these will be possible without decreasing the number of persons employed and without increasing or inflating the cost of production.

THE COMMISSIONER: When you say higher wages you do not only mean higher rates you mean actual higher wages.

MR. BALLANTYNE: I mean an actual higher real wage because after all though we are used to counting things in money it is a very poor measurement of what we actually get.

Now, apart from that question of wages and hours there is the question of the conditions under which the employee is now working and has been obliged to work. I do not intend to deal with this point here particularly because I will be discussing it fully when I am on Mr. Beauregard's brief, but I do think it is fair to say just here in a general way that the working conditions in the mills during past years have been steadily improved, that a pension scheme has been provided --

THE COMMISSIONER: By your company.

MR. BALLANTYNE: By the Dominion Textile Company at its own cost, and that group life insurance, accident and illness insurance and that sort of thing have been provided. Now, I think that the voluntary development of better working conditions and services rendered to

the employee is one thing which certainly in the future is bound to be increased. Even if the company did not want to do it, which, of course, is not the case because it has done it voluntarily, but even if it did not want to do it the whole trend of industry now, and I think the Dominion Textile Company is well up with that trend, is to provide things apart from actual wages in the form of pensions and services to its employees. So I think that is one other thing to which the textile worker has to look forward, not only increased wages and shorter hours, but to obtaining from his employer and with his employer better working conditions and greater services which will improve his living conditions.

Now, my lord, I would like to go to the brief, and I would like to turn to page 33 and start reading from there. The first part, as I said yesterday, are the general principles which affect wages in any industry, and I have just finished describing some of the main factors which I think affect the wages of the Dominion Textile Company. The other factors I will discuss as I go along. Now,

" In examining the wage policy of the Company in the light of the foregoing, it is important to note that it is operating an industry in which there is no scarcity of labour and which does not require a large proportion of highly skilled workers. Furthermore, mill wages form the second largest item in its costs of production

"and are the largest controllable element in such costs. It follows that during the period of business depression marked by declining earnings, some downward adjustment of wage costs was essential.

The sound economic basis of the Company's wage and labour policies is established by the evidence which showed:

(1) That it was able to provide continuous employment during the depression;

(2) That it constantly maintained a high level of efficiency by introducing the most modern methods and machinery, thereby increasing the productivity of the workers and the earnings of skilled labour;"

In connection with that second paragraph I gathered from something Mr. Beauregard said in his argument that he thought that in that paragraph I was dealing with the depression years. Perhaps it is badly drafted coming immediately after number one, but number two I mean to apply, of course, to the whole existence of the company, and not to any particular period.

(3) That the 'average real wage per employee hour' r rose in proportion as the productivity of the worker increased, labour thereby sharing in the increased production of wealth;

(4) That the rewards of the other agents of production including capital and management, were not unreasonable or disproportionate on the basis of economic principles.

There is one other general principle which should be considered before the evidence is discussed in

"detail,namely: the effect of tariff protection with regard to labour employed in a protected industry.

The fact that an industry is granted tariff protection is not a reason for which employees in that industry should be paid upon a higher level than other comparable groups. The primary purpose"--

MR. BEAUREGARD: Even in times of depression?

THE COMMISSIONER: Will you re-state your proposition? Are you reading from the factum?

MR. BALLANTYNE: Yes, I am reading from this, my lord.

" The fact that an industry is granted tariff protection is not a reason for which employees in that industry should be paid upon a higher level than other comparable groups".

THE COMMISSIONER: These other comparable groups, do you mean other workmen in other industries.

MR. BALLANTYNE: I am afraid that is a rather loose statement because when I come to find a comparable group it is perhaps a little difficult.

THE COMMISSIONER: You are looking, though, to workers of like capacity and ability in other industries?

MR. BALLANTYNE: In other industries, yes.

"The primary purpose of a tariff is to permit the establishment within a country of an industry otherwise unable to exist. The object is not to favour one group of employees any more than one group of employers, by permitting such group to enjoy a favoured and uneconomic position

"within the country. The purpose is to provide additional employment at a scale of wages in accordance with the level of economic development in the country, as well as to round out its industrial activity.

If the imposition of a tariff was for the purpose of raising the wage level above the average in similar or other industries, then such tariff would not be necessary. The tariff is imposed merely to make possible the establishment of an efficient and well managed industry on an equitable basis as compared with domestic industry and foreign competition. This means that it is intended to enable the domestic industry, which is being granted protection, to employ labour at what approximates the normal wage, having regard to economic conditions in the country."

My feeling is this that if the effect of giving a tariff is to give either employer or employee a particularly favoured position where both will be earning more than people could earn in other industries then the tariff, of course, is not worth while. If the result of giving a tariff is, for example, to enable an industry to pay wages much higher than what one might call the normal scale then obviously that tariff isn't necessary.

MR. BEAUREGARD: You would not go as far as to say that a protected industry during a time of depression has the right to lower its wages as would an unprotected industry which is forced --

MR. BALLANTYNE: I don't think it is --

MR. BEAUREGARD: You would not state that as a principle?

MR. BALLANTYNE: Oh no.

MR. BEAUREGARD: Would you admit as a principle that a protected industry should keep to the level of wages in as much as protection is granted?

MR. BALLANTYNE: I don't quite follow the analogy.

MR. BEAUREGARD: And as business warrants.

MR. BALLANTYNE: Now, the next section, my lord, simply outlines the evidence submitted with regard to labour conditions, work loads and wages of the Dominion Textile Company Limited.

" The evidence with respect to wages, work loads, and labour conditions which was submitted to the Commission consisted of the following in so far as the Dominion Textile Company Limited was concerned:-

With regard to the Sherbrooke Plant, Sherbrooke, Que.

This plant, both the rayon and cotton divisions, was personally inspected by the Commissioner and counsel. Thereafter evidence was heard from the General Superintendent of the Company, from the Office Manager of the Sherbrooke Plant, from the Assistant Foreman, from thirty-nine employees of the cotton division, from six employees of the rayon division, from the cotton mill superintendent and from the card room superintendent.

With regard to the Montmorency Branch, Mont-

"morency, Que.

This plant was also personally inspected by the Commissioner and by counsel. Evidence was heard from twenty-two mill employees, from the Superintendent, from the Office Manager, from twelve overseers, foremen and assistant foremen, from six mill and office clerks, from the chief clerk, from the comptroller of the Company and from its Managing Director.

With regard to the Hochelaga Mill, Montreal, Que.

Six mill employees and the Superintendent of the mill gave evidence. This was only in connection with the alleged complaints set out in the 'Expose des Griefs de la Federation Catholique Nationale du Textile'.

With regard to Trades Unions.

Six union officials gave evidence.

With regard to 'work loads' and labour conditions.

Two industrial engineers, Mr. Ralph E. Loper, called by the Dominion Textile Company, Limited, and Mr. C.V. Fessenden, employed by the Commission itself, gave evidence as to work loads and conditions of labour.

With regard to minimum wages.

Mr. Gustave Francq, President of the Quebec Minimum Wage Board, gave evidence in respect of conditions in so far as minimum wages are concerned.

" With regard to the Company.

Besides the information obtained from the witnesses above mentioned, Commission counsel required and obtained a great number of documents and written information dealing with labour amongst other things.

In addition, the report of Mr. C.V. Fessenden, employed by the Commission counsel, deals in part with the labour conditions of the Dominion Textile Company, Limited."

Section three; now, I go back here to the four general conclusions which were made -- the four general submissions which were made in the first section.

" The evidence in support of the four general conclusions in Section 1 may be briefly summarized as follows:--

(1) That the Dominion Textile Company, Limited was able to provide continuous employment throughout the depression. The answers given by the Company to the questionnaire submitted by the Commission show that it operated the following plants:

At Montreal, P.Q.-- Hochelaga Mill, St. Annes Warehouse, Merchants Mill, Mount Royal Mill, Colonial Bleachery."

I deliberately left out there the Verdun plant which has been closed because I understand that there are only a handful of men employed there.

"At Magog, P.Q.-- Magog Cotton Mill, Magog Print Works.

"At Montmorency, P.Q.-- Montmorency Mill.

At Sherbrooke, P.Q.-- Sherbrooke Mill, both cotton and rayon divisions.

At Drummondville, P.Q.-- The Drummondville Cotton Company Limited.

The answers show a total employment of mill workers for the years 1930 to 1935 as follows:--

1930	--	7,914
1931	--	7,031
1932	--	6,727
1933	--	6,378
1934	--	6,944
1935	--	7,569

The contention that employment was well maintained throughout the depression is confirmed by Mr. C.V. Fessenden's report. This report includes a graph showing the number of employees actually on the payroll, and the number of employees required if each worked upon a full time basis, from the year 1912 to the year 1936. This graph is based upon data obtained from the grey mills of the Company only and does not include the employees in the converting branches of the Company. Nevertheless, it is indicative of the extent of the employment given. The highest number of employees actually on the payrolls is shown in the year 1928 at 6,500; the lowest number is shown in 1933 at 4,900.

In 1930	the	figure	is	5,800
" 1931	"	"	"	5,300
" 1932	"	"	"	5,200
" 1933	"	"	"	4,900
" 1934	"	"	"	5,200
" 1935	"	"	"	5,700
" 1936	"	"	"	5,900

" It is interesting to note the importance of the number employed in comparison with the total population of the towns, outside of Montreal, in which the mills are situate. The figures here given are upon a fifty-five hour basis, and cover the years 1930 to 1935, based upon Census of Industry returns. The actual number of employees would of course be greater than that shown upon this basis."

Now, I was only able to get the populations of these towns according to the last Census figures, and I would point out to your lordship that I am doubtful of one of them, and that is Montmorency. It is the only Montmorency I could find so I presume it is the Montmorency where the mill is situated.

THE COMMISSIONER: I suppose what you found rather was the parish, not the village.

MR. BALLANTYNE: I think probably your lordship is correct in saying it is the parish. In Magog in 1931 the Census showed a population of 6,302, and the number employed varied from slightly over one thousand in 1931 to something over fifteen hundred in 1935. At Montmorency the Census showed a population of 4,575 and the number employed in the mill varying from 1,256 in 1931 to 1,625 in 1935. Sherbrooke is shown to have had a population of 28,933 in 1931 and the number employed to have varied from 160 in 1931 to 697 in 1935. Those 1935 figures, of course, have been increased because --

THE COMMISSIONER: These years are calendar years

or fiscal years?

MR.BALLANTYNE: These are the Census of Industry returns which is the week of highest employment during the calendar year.

THE COMMISSIONER: You haven't the figures for 1936 as yet?

MR. BALLANTYNE: No, I haven't. I could easily get those now.

THE COMMISSIONER: I think it would be a good thing to add them in if you have them.

MR. BALLANTYNE: Yes, because as I was going to point out to your lordship in connection with Sherbrooke the 235 in the new rayon division has been considerably increased since that return was made. You remember they were starting the rayon division at that time so the figure should be larger.

SECRETARY WHITELEY: If you are using the Census of Industry returns you are under-stating your case.

MR. BALLANTYNE: Under-stating the case?

SECRETARY WHITELEY: You are reporting the equivalent number of full time operators on the Census of Industry returns.

MR. BALLANTYNE: That is what I pointed out on this previous page, that the actual number would be somewhat larger than this. Drummondville had a population in 1931 of 6,609 and the number of employed varied from a low of 182 in 1933 to a high of 484 in 1935. Now, I made a note, a foot note, with respect to Sherbrooke and Drummondville that both of these companies, the active management of both of these

companies had been taken over by the Dominion Textile Company in 1930, and that changes in the scheme of work were introduced into both mills, and new machinery was introduced into Sherbrooke.

THE COMMISSIONER: Well, we will adjourn for a few minutes.

-- The Commission adjourned for a short recess.

(page 18070 follows)

-- After recess:

MR. BALLANTYNE: We had just reached the bottom of page 37, my lord, the second general submission "thatDominion Textile Company Limited has maintained a high level of efficiency." Now, here is a point which I do not think I need argue very extensively. Throughout the hearing it has been admitted that the Company has been and is prudently and economically managed and developed.

"Mr. R.E. Loper, who was called by the Company as an expert witness, stated that considering the conditions under which the mills are obliged to operate; that is, the type of demands that the market makes on them, etc. they are efficiently run.

Mr. C.V. Fessenden at pages 33 and 34 of his report to the Commission quotes a favourable opinion as to the progressiveness of Canadian manufacturers producing at lower cost by means of up to date equipment, adequately maintained and economically tended. He instances the record of this company in increasing---"

THE COMMISSIONER: When you say that Mr. Fessenden quotes, you mean somebody else's opinion or his own?

MR. BALLANTYNE: Yes, he quoted. The name just slips me for the minute.

THE COMMISSIONER: Somebody else?

MR. BALLANTYNE: Yes, he quoted an American expert on textiles. I can look th t up. He quoted

Mr. Payne of the Textile Development Company. Mr. Payne, as a matter of fact, did some work for the Dominion Textile Company in 1927.

"He instances the record of this company in increasing productivity of its grey mills by 53% from 1912 to 1936, and by the record of the steps taken by the Company over a 13-year period, in bringing machinery development and maintenance up to a high standard.

In this connection, it has been thought to be sufficient to make the above references, and not necessary to quote from the evidence of the various superintendents, foremen and officers who were examined with regard to the installation of newmachinery and the re-arrangement of work to obtain the highest efficiency."

I did not think it was necessary, my lord, to labour this point because it was my impression that the efficiency of the company as shown by the evidence adduced during the hearing was pretty well recognized.

MR. BEAUREGARD: All round efficiency.

MR. BALLANTYNE: All round efficiency.

"(3) That the average real wage per employee hour rose in proportion as the productivity of the worker increased, labour thereby sharing in the increased production of wealth.

"The evidence in this connection is again to be found in the report of Mr.C.V.Fessenden, and it is submitted that such evidence is

conclusive as to the truth of the above statement.

Mr. Fessenden's report reads in part as follows:"

(This again is based upon data from the grey mills, excluding converting operations, but maybe accepted as indicative in view of the large proportion of the manufacturing operations carried on in the grey mills."

"'Probably the more informative study is 'the trend of wages over a period and particularly 'a study to see if the worker shares in the increased 'production of wealth resulting from the labour 'he applies to the tending of continually improving 'and more efficient machines.

'To examine this question the combined 'production in pounds of all the grey mills of 'the Dominion Textile Company was obtained yearly 'from 1912 to 1936.

'The corresponding data was also obtained 'showing:

'Number of employees on the payroll (foremen and 'lower):

'Actual weekly hours per employee;

'Average hourly wage per employee;

'The index of the cost of living.

'The latter was calculated for each fiscal year ending March 31st, from 1914 to 1936. Hourly and weekly wages were calculated in purchasing power 'or 'real wages' as well as 'money wages'.

'These charts show from 1914 to 1936:

'1. Total lbs. produced per year have risen 50%;

'2. Number of employees has risen 12%;

'3. Pounds per week per employee has risen 32%.

'4. Hours worked per week per employee is down 12⅓%.

'5. Real wages per actual week per employee 'are up 32½%.

'Two points are particularly interesting:

'(a) The relatively steady rise in 'real wages' 'per 'employee hour' and even 'per employee week' 'in spite of an increasing amount of short time. 'this steady rise is in marked contrast to the 'to the much faster but more erratic rise in the 'money wage up to 1921 followed by an irregular 'plateau.

'(b) The closeness with which the 'average 'real wage per employee hour' follows the 'pounds 'produced per employee hour.'

'The former rises 51% while the latter rises '53%.

'These two lines do not get far apart at any 'period except when the 'real wage' falls behind 'in 1915, 1916, 1917, and 1918, in spite of increases and war bonuses. Finally in 1919 the wage 'increases caught up with the rising cost of living 'and 'real wages' began to shoot up. They were 'brought under control butthe rise in real wages 'was unchecked, dropping a 5% bonus in 1920 and 'making a 15% general decrease in October, 1921.'"

"'The net result of sharp changes in the level 'of prices and changes in the level of wages, up and 'down, is that the increasing productivity of the 'worker, cooperating in the use of improved machines 'and improved methods, is being matched by an 'approximately equal increase in his real wage. 'This is in spite of a shorter working week. The 'uniformity of this improvement in real wage per 'week comes as a surprise when one's attention has been absorbed by the apparently haphazard movements 'in money wages on the one hand, and the cost of 'living on the other.'"

MR. BEAUREGARD: What does he mean? Does he mean this has been unforeseen?

MR. BALLANTYNE: No, I don't think he means that. I think what he means there that people who have followed these wage rates are surprised to find that the actual real wage that has been paid is going up.

THE COMMISSIONER: All he says is this: The movement, for instance, in money wages on the one hand and the cost of living on the other have been haphazard, and notwithstanding that the improvement in real wages has been uniform.

MR. BALLANTYNE: Yes, I think that is it.

THE COMMISSIONER: Which is a surprising thing to be found in connection with haphazard condition of the money wages on the one hand and the cost of living on the other.

MR. BALLANTYNE: 'It constitutes -at least one phenomenon encouraging to anyone who believes

'that the capitalistic system by and large, 'works better than it is given credit for 'working. The system has the defect of doing 'most of its best work in the dark, and its 'worst work in the light. It has the added 'misfortunate of lacking any adequate publicity 'Department.'

MR. BEAUREGARD: I am not so sure that it is true.

MR. BALLANTYNE: You must leave us Mr. Fessenden because he is your witness.

THE COMMISSIONER: He did not know of the Textile Journal.

MR. BALLANTYNE: "(4) That the rewards of the other agent of production, including capital and management, were not unreasonable or dis - proportionate on thebasis of economic principles.

The question of the return to capital as an agent of production is fully dealt with in Division II of this factum and will not be repeated here.

With regard to the return to management, it is submitted that such return is small both in relation to the total sums paid in salaries and wages, and to the magnitude of theoperations carried on. For the former, out of the total sums paid in salaries and wages, the average part for the years 1930 to 1936 going to head office executives was 2.92%.

As for the latter point, the following are

the net sales of the company, and head office ~~ess~~ executive salary for the last three years: In 1934 the net sales were just over $17,000,000 and the head office executive salaries were just under $137,000, which represents .80 of 1% of the net sales."

THE COMMISSIONER: .8 - 4/5th of 1%.

MR. BALLANTYNE: 4/5th of 1%.

In 1935 the net sales were over $18,000,000 and the head office executive salaries were just over $108,000 which represent .60 of 1% of the net sales. In 1936 the net sales were nearly $18,740,000 and the head office executive salaries were $124,600 or two-thirds of 1% of the net sales.

Now, I would like to leave my brief here for a few minutes in dealing with this question of the return to management because I think the question of the management of the Dominion Textile Company is most important, not only from the point of view of the return to its shareholders but also from the point of view of the wages which it is able to pay. I think that the continued existence of this Company and its growth, apart from any help which it obtained from the tariff and which, of course, is not minimized, but it is available to any other manufacturer of textiles, is due entirely to the fact that it is had I think, reading the history of the company, probably one of the best managements of any industrial company in Canada.

In the first 30 years of the existence of the Company its aggregate selling and administration costs amounted to just over $10,500,000, and during that same time the Company sold $460,000,000 odd of goods. That is very close to half a billion dollars worth of goods, and the ratio of that cost for selling and administration to these sales was only 2.3%. Now, I think the Companies that can show as low a ratio as that are very few and far between, if there are any, and it is also a remarkable figure when you consider that the Company is manufacturing a cheap product, where the intrinsic value of the raw material, the cotton, and the selling price of the finished goods are low and when these goods must be sold and distributed right across the Dominion. Now, I think that if for administration and selling it would cost 10% of the sales which had been made, that that figure could not be criticized as being extravagant or as representing bad management. Now, if you took a ratio of 10% for that item it would have meant during the 30th years that the Company would have spent over $46,000,000 for administrative and selling costs, and I do not think that that expenditure would have incurred any reproach as being excessive. Now, if you compare that amount, the saving between the amount actually expended, which was something over $10,500,000 and my theoretical $46,000,000, which I say they could have spent without criticism, there is a saving of nearly $35,500,000. Now, that is a saving, to my mind, which is entirely due to the

management of the Company. Now, the total dividend paid during that 30-year period amounted to something under $24,000,000. Now, to me it is quite clear that if the Company had not had exceptionally able management then not only would all the dividends which were paid have been wiped out by the larger costs but there would have been a further sum of $11,600,000 which would not have been available for other purposes, including wages. To my mind, with my slight knowledge f business but from what I have read and heard, I really think that this is one of the outstanding points about the Dominion Textile Company that they were able to administer that company and sell nearly half a billion dollars worth of goods, and that type of goods, at such a remarkably low cost.

Now, I gave in the Brief, which I have just finished reading, at page 40, the figures for the amounts which were paid to the head office executives of theCompany for the last three years. Now, in 1934 the amount was $136,948.65, and that was divided between 12 head office executives. In 1935 the amount was $108,120, and that was divided between 11. In 1936 the amount was $124,600, and that was divided between 13 head office executives. Now, I did not intend to quote any individual salaries but I do think that it is most important to realise just what these mean, who, I say, are responsible and who have done such a good job, what they get. Now, taking those figures on an average, the average salary in 1934 was $11,412.39. In 1935 the average was

$9,870, and in 1936 the average was $9,588. The very highest salary paid in this group at the present time is a salary of $21,500, which is paid to a man who is chiefly responsible for the growth of this Company, and to whose efforts its success is in very large part due.

THE COMMISSIONER: Is he the President?

MR. BALLANTYNE: Yes. Now, I am going to leave this point here but I submit that it is a most remarkable state when you can find a company of such magnitude and executives who have such responsibilities receiving a remuneration which in other lines of industry would certainly be considered small.

-- The Commission adjourned at 12.30 P.M. to resume at 2.30 P.M.

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-- The Commission resumed at 2.30.

Mr. BALLANTYNE: At the adjournment we were just about to start section 4 at the foot of page 40 of the brief under the heading Wages. No. 1 is: How wage rates are fixed.

"The amount of wage to be paid to any particular type of operative is determined in part by the worth of the services of that operative in the general labour market; for example: the work performed by a loom-fixer is comparable to that of a garage mechanic, and to obtain the services of a loom-fixer it is necessary to pay him as high a wage as a garage mechanic in order to obtain his services."

The COMMISSIONER: Are the words "inpart" properly there ?

Mr. BALLANTYNE: Yes, My Lord, I believe they are. If the company paid only the amount that was sufficient to obtain the services, then the words "in part" would not be appropriate. In many cases, however, they pay more than is necessary simply to get a particular kind of operative away from another kind of work. As I mentioned this morning, in this very instance of the loom fixer and the garage mechanic, all through the depresion years the wage paid to the loom fixer was probably very considerably in excess of that paid to the garage mechanic. It is the factor which determines the minimum below which the company cannot go.

"Generally speaking, when the company sets a standard of work or a standard of wages for a certain type of work, it has to consider what the operative would earn in another kindred

"occupation.. This is not an absolute factor in determining the amount to be paid for any type of occupation, as the company upon this basis could have reduced wages three years before it did, and could have reduced them to a much greater extent.

Mr. G. B. Gordon, the managing director of the company, describes the method by which wage rates are fixed as follows:

Over the period 1920-1930, the Dominion Textile Company Limited gave a great deal of attention to progressive moves in the field of application of labour to machinery. The aim of such work was twofold:

1. To reduce the labour cost per unit of production.

2. To increase the earnings of the skilled individual worker."

Mr. BEAUREGARD: I see you limit that period to the years from 1920 to 1930. Do you not consider that Montreal Cottons has undergone quite an extensive transformation of that type from 1929 up tothe present time?

Mr. BALLANTYNE: Yes.

Mr. BEAUREGARD: And would you not say that there has been a similar transformation in the case of Sherbrooke ?

Mr. BALLANTYNE: That is quite correct, and I am glad that my learned friend has brought that to my attention. Sherbrooke, of course, up to 1930 was on tire fabric but it was changed over completely, and that change took several years to carryout.

Mr. BEAUREGARD: Can we take it for granted that

even in Montmorency this mechanization reached its summit in 1930 and that nothing has been done in this field since then?

Mr. BALLANTYNE: Perhaps I might explain it this way, as I understand it. What happened was that during the war years particularly the type of textile machinery changed very considerably and a great deal of automatic machinery was introduced. However, although it was introduced at that time no real change was made in the method of using that machinery. They were so busy turning out goods at that time that the matter was left over. Some years after the war, they realized of m course that with new machinery an operative was capable of turning out a greater production and it was during those years, in the 20's, that they took steps to place themselves in a position where they would be able to obtain the full benefit of the new machinery which they had previously got. Pardon me, My Lord; Mr. Gordon corrects me. He says that it was in the years from 1920 to 1923 that the new machinery was put in, and it was in the subsequent years that readjustments were made in the scheme of work so that the machinery could be used to best advantage from the standpoint of utility and also of capacity.

"A cardinal principle was that the skilled worker's time should be devoted as far as possible to skilled work, and that the unskilled portion of the work should be given to unskilled workers, for example, battery hands on looms, cleaners on frames, doffers, oilers, sweepers and so on.

Extensive studies were made in all Dominion

"Textile Company mills of machiner performance, operative performances, etc., and basic data established. This basis data serves as the foundation for job assignments and resultant piece work rate setting. Now we come to the basic wage part of it.

It is evident that, before establishing either an hour rate or a piece work rate for a job, the first point to be fixed is the basic wage to be earned in a standard week of operation."

I want to interrupt the reading here for a moment. On this Mr. Beauregard has a section in his brief in which he deals with the methods of piece work payments, and he describes certain systems. When I come to that section of his brief I will discuss it in detail, but in the meantime I would say that the establishment of a basic wage and of a standard week is something that has been derived from the practice of the English cotton mills. It has been long established there.

"This figure is based mainly on the type of operative required and the value of such labour in the general labour field. For example, a loom-fixer corresponds to a garage mechanic and if you want to keep your loom-fixers you have to pay them a wage that will induce them to stay.

For an hour rate job, once the basic weekly wage is established, it is only a matter of dividing the wage by the hours per week to obtain the hourly rate. The size of the job is determined by practical considerations and is usually a job not directly related to

"production.

The establishment of the basic weekly wage for a piece-work job is only the first step of several included in arriving at the piece-work rate per unit of production. Piece-worker's jobs are either directly productive or closely allied to production, and two essential, and to some extent, conflicting considerations are involved: (a) The production units per operative; (b) The production units per machine. From the standpoint of (a) the operative should tend as much machinery as possible, and from (b) as little machinery as possible. There is an economic "happy medium" between these two factors which must be determined for every piece-work job, in order to give a machine load to the operative, which will result in the lowest possible total of piece-work rate plus all other costs per unit of production. If the operative is under-loaded, the piece-work rate becomes excessive without a compensating reduction in other costs per unit of production; if over-loaded, the saving in the piece-work rate may be lost many times over through the increase in other costs per unit of production. By a process of "Trial and Error" it is possible to establish the point beyond which further decreases in the machine load per operative only give very slight improvement in machine production, and that is the point, where, in the great majority the job should be set.. Both the size of the job and the production per machine which can

"be reasonably expected, are thereby established, and it is then simply a matter of arithmetic to arrive at theunits of production per operative which the job will yield, and these units divided into the basic wage, give the piece-work rate per unit of production.

(2) The rates of wages paid.

Evidence with regard to the rates of wages paid by the Dominion Textile Company Limited at its Sherbrooke and Montmorency branches was given by Mr. Gordon, the managing director of the company.

In all cases the rate of wages are upon the basis of a fifty-five hour week.

Since the cessation of the hearings of the commission there has been a general increase in the rates of wages throughout the mills of the company. This increase became effective upon December 7, 1936, and its effect was to restore the levels of wages to those existing prior to April 10, 1933. This new factor should be taken into consideration in considering the evidence with regard to the rate of wages paid."

At the end of my argument I hope to give you some figures showing the actual condition as to rates of wages as a result of this increase. These other figures are all prior to the last increase, of course.

"With regard to the Sherbrooke cotton and rayon divisions, Exhibit No. 268 gives the rate of wages for all classes of employees as at March 1st, 1930 and February 29, 1936.

" Exhibit No. 265 shows the wages by fortnight for the twenty-seven fortnights from January5, 1935, to January 4, 1936, in the cotton division and the wages paid for thirteen fortnights commencing July 20, 1935, and ending January 4, 1936, in the rayon division.

In the former case, the average wage per pay per operative was $29.35 per fortnight, and in the latter case $32.46 per fortnight.

Exhibit No. 268 shows that of all the employees employed in the cotton mill 29.92 per cent earned over $15.00 per week. That of the 512 male employees 38.67 per cent earned at the rate of $15.00 a week or more; that of the 190 females 35.26 per cent earned $12.00 per week or more; that of all the employees 90.31 per cent of the total earned at the rate of $10.00 per week or more.

With regard to the rayon division, for the period ending December 21st, 1935, there were 407 employees, of whom 252 were male and 155 were female. Of the total number 42 1-2 per cent were earning at the rate of $15.00 a week or more, and 77.64 per cent earned $10.00 per week or more. Of the male employees 57.54 per cent earned $15.00 a week or more. Of the female employees 46.45 per cent earned $12.00 per week or more.

With regard to the Montmorency division, Exhibit No. 275 shows the rates of pay, both for hour workers and for piece-workers based upon a fifty-five hour week. This exhibit covers each individual class of employee.

"Exhibit No. 273 is based upon twenty-seven fortnightly payrolls from January 5, 1935, to January 4, 1936. This exhibit shows total wages paid of slightly under $1,000,000. for the period and average earnings at the rate of $27,60 per fortnight."

This, of course, if for the Montmorency mill only.

"Exhibit No. 274 is based upon the payroll for the fortnight ending December 7th, 1935. This exhibit shows that 38 per cent of the male and 9 per cent of the female employees were earning at the rate of $15.00 per week or more; that 24 per cent of the male and 53 per cent of the female employees were earning at the rate of from $12.00 to $14.99 per week. It also shows that 78 per cent of the total earned at the rate of $10,00 per week or more.

In so far as piece workers are concerned, the figures shown on the last three pages of Exhibit No. 275--"

Again dealing only with Montmorency.

"In so far as piece workers are concerned, the figures shown on the last three pages of Exhibit No. 275 show that only in perhaps over fifty per cent of the cases is the basic wage lower in 1936 than it was in 1930 or 1926, and that in quite a number of cases the piece worker's basic wage was higher in 1936 than in 1930 or 1926. As far as actual earnings are concerned, a great majority of the cases show earnings were higher in 1936 than they

"were either in 1930 or 1926.

In addition tothe exhibits there have been prepared statements by the secretary of the commission with regard to the rates of wages paid by the company in all its mills. These are Exhibits 1247, 1248, 1250, and 1252.

Exhibits 1247 and 1248 purport to show a distribution of mill employees according to hourly earnings. We understand that this information has been abstracted from the payrolls of the company by dividing the total number of hours worked into the amount paid as wages."

Mr. WHITELEY: For each individual worker ?

Mr. BALLANTYNE: Yes.

"Exhibit No. 1247 shows average hourly earnings of male employees in the Montreal mills of 30.30 cents and for the mills outside Montreal of 27.80 cents. Exhibit 1248 shows the distribution of female employees according to hourly earnings. The average hourly earnings for the Montreal mills being 26.11 cts. and for the mills outside Montreal being 22.91 cts. per hour.

The sheets forming Exhibit 1250 purport to give a distribution of employees according to earnings in a pay period. This pay period we understand to be the last fortnight in February, 1936, and to show the actual earnings of employees. This exhibit, we submit, is without significance as it necessarily does not take into account employees who were working part time or broken time, due to a variety of reasons. For example, at Montmorency, during the fortnight

"in question, there were, 1,753 hands on the payroll, but the total hours worked by these hands only represented full time employment for 1,241 hands. It is evident therefore that on the average each employee only worked 70 per cent of full time, but actually, of course, some of the employees on the payroll may have worked full time or even overtime, but others only worked short time, the average result being as indicated. Similarly, with regard to the Sherbrooke Cotton mill, there were 469 actual workers, with 362 equivalent full time workers indicating an average of 77 per cent of full time employment; at the Sherbrooke rayon division there were 340 actual workers with 209 equivalent full time workers, indicating an average of 60 per cent full time employment.

In considering these rates of wages it is important to recall:

(a) That the cotton and rayon textile industries, are, "light industries" not requiring a high percentage of skilled labour;

(b) That the percentage of female employees is high; and

(c) That the labour cost is a high percentage of the total cost of production.

In so far as female employees are concerned, Exhibit No. 1288 shows artificial silk to be the seventh, and cotton yarn and cloth to be the tenth in a list of thirty-five industries classified as to weekly earnings. For male employees the classification is twenty-first

"and thirty-second respectively out of a total of forty industries.

(3) How wages are recorded.

It is obviously of great importance both to the employees and to the company that a method s hould be used by which it is possible accurately to determine the amount of wages earned by each employee in every pay period. The system employed by the company is basically the same throughout its mills, although there may be some variation in detail, as, for example: In Sherbrooke where the record of hours and the production is made up in each department, and in Montmorency where the record of hours and production from each department is sent to the mill office. Evidence with regard to the payroll system was given at Sherbrooke, Quebec and Montreal. This evidence may be briefly summarized as follows:

There is prepared for each branch, and a copy thereof is in each department, a titles and occupation list, which gives the standard complement for the full equipment on a full time basis in each mill; it gives the rates of pay for each occupation where the worker is paid upon an hourly basis; it gives the rate paid for each unit of production of every style of goods for use in the case of piece workers.

The payrolls are made up for fortnightly periods, and there are two general classes of employees whose wages must be recorded mainly

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"namely: time workers and piece workers.

For the former class it is comparatively simple to determine the wages to which they are entitled in any pay period. In each department there is a time book, which is in charge generally of the second-hand or a departmental clerk. In this book are entered the names of all the persons working in the department. Against their names is entered for each working day in the fortnightly period the number of hours worked. At the end of the period these hours are added together and the hourly rate of pay for the particular class of employees is taken from the title and occupation list. This rate per hour, multiplied by the number of hours worked, gives the pay to which the employee is entitled for the period.

A further step is required to be taken in establishing the pay due to piece-workers, whose pay is based upon the amount of production. This production is measured and reported in units, such as hanks, or spinners, cuts for weavers, boxes for spoolers, etc.

In each department there is kept a production report upon which is shown during and for each pay period the number of nnits per production and the class or style of goods produced from each numbered machine. At the same time, where an employee is doing piece work, there is recorded in the time ~~xxx~~ book against his name not only the number of hours worked, but the number of the machines, upon which he has

"worked.

There is, therefore, available at the end of each pay period in each department a production report and a time book which make it possible to determine for the piece-worker a number of hours worked and the amount of goods produced and the class or kind of the goods.

The departmental records supply the information necessary to complete the first step in making up the fortnightly payroll, i.e., for the time worker: the hours worked and the type of job; for the piece worker: the hours worked and the production expressed in units of each class or kind of goods produced.

The final step in making up the payroll is to take the above information and add toit from the titles and occupation list the rates of pay per hour or the rates per unit of oproduction as the case may be.

The fortnightly payroll is made up in much detail. It is divided into the various departments and various classifications of worker in each department. It shows the name of the employee and his or her age; the number of hours worked; the number of units of production in each class or style of goods produced in the period; the rate per hour or per unit of production as the case may be; and the total amount of wages due, based upon that information. The payroll is checked and signed by the departmental heads as to accuracy of hours and production, and by the chief clerk of the office as to

"the extension and accuracy of the rates and final figure for pay.

The above is a general description of the methods used in recording the data upon which the payrolls are made up and of the payrolls themselves. The details of the methods by which the records of production are made up and checked is to be found in the evidence of Eugene Gariepy and of W. D. Fleming, which illustrates the various steps taken, such as the recordings from the hank clocks upon the spindle sheets in the spinning department; the recording of the cuts produced from each loom in the weaving department; the recording of the cuts produced from each loom in the weaving department, and the consolidation of that information upon the "cut board" etc.

In no part of the evidence with respect to the payroll was there any suggestion of an improvement to the present system, other than a suggestion by the commission counsel of the use of time clocks."

Mr. BEAUREGARD: We found out too late. I ~~might~~ might suggest that more information be printed on the pay envelopes. It would be serviceable to everyone to know what a man is paid for.

Mr. GORDON: That has been attended to.

The COMMISSIONER: As I remember the complaint in Montmorency was that the workmen did not know how he was being paid. You say that that has been attended to since.

Mr. GORDON: Yes; the rates per unit of production are now being posted. The rates per unit of piece

work production are posted, but the rates per hour are not posted in the mills.

The COMMISSIONER: What is the reason ?

Mr. GORDON: It is for the same reason that we do not like our salaries to be known to everybody. The workrs do not know what each other is getting.

The COMMISSIONER: Does each worker know how much he or she is getting per hour ?

Mr. GORDON: They can find out by going to the office and asking.

The COMMISSIONER: Some of them said that they could not find out; they were told that they had better not inquire.

Mr. GORDON: That was their story.

Mr. BEAUREGARD: That seemed to be a general impression among the people who gave evidence, that they could not find out how they were paid.

Mr. BALLANTYNE: I will discuss that later.

The COMMISSIONER: It is the right of every man to know.

Mr. BEAUREGARD: It should be entered fully on the payroll envelope. The hours are entered--so many hours so much nomey. That is all I have seen on the latest envelopes but they do not say what the rate is or what quantity of goods has been produced or anything of that kind. You wrk so many hours and you get so much.

The COMMISSIONER: He knows that much anyway without having it on the envelop.

Mr. BEAUREGARD: Yes, his names appears on the envelope.

Mr. GORDON: It would be almost impossible to put all the details on the outside of the envelope.

The envelopes are not very large and it would be impossible to put on them a tabulation shwing piece work earnings, because sometimes they work on as many as twelve styles.

The COMMISSIONER: That may not be necessary, but every man should be able to find out for himself how much an hour or per piece he is getting. You and he are under contract and he is as much entitled to know the terms of the contract as you are.

Mr. GORDON: We do not withhold it from him; he can find out!

Mr. BALLANTYNE: The information was available to them in the department in which they worked-- I am referring to the witnesses who were heard at Quebec. Since than a change has taken place and actually they post up in the department the piece work rate for the various styles. Mr. Gordon says they have not put up the hourly rates for those paid by the hour. It is hardly credible to me that when a man obtains employment in a mill at an hourly rate he will not find out what he is going to get per hour. But even supposing he did not find out when he first got employment that information is there available for him. He can get it from the foreman of the department.

Mr. BEAUREGARD: I heard Mr. Boutet in the box and there were a great many employees, young men and young women, who, we were told, did not want to bother him. He is the only one who knows about it and he is in charge of seven or eight hundred employees. The second hand in the department did not know the rates. Mr. Boutet was the only one who had the information; he was supervisor over

seven or eight hundred employees, and many of these people certainly knew that somebody somewhere knew what the basis of payment was. But you must take into consideration the state of mind of these employees when you suggest that they should go to someone higher up. Some of them had some experience with the man higher up, and according to them the reception was not so hot.

The COMMISSIONER: Perhaps it was too hot.

Mr. BALLANTYNE: As I recall, Mr. Vezina was only one of many second hands in the spinning deprtment. Mr. Boutet is head of the spinning department. What stumped Vezina was not the actual rate of pay, but the question as to how the piece work rate was arrived at. I do not see why it is necessary for a second hand or for any employee to try to follow the complicated steps in this matter.

The COMMISSIONER: That is not the point. The point is that he should know what he is working for. You cannot say to a man, "You work until the end of the week and we will pay you, and it is none of your business on what basis we are paying you." That is not done; at any rate it ought not to be done.

Mr. BALLANTYNE: Mr. Gordon points out--and I can see his point--that when the unit piece work rates are posted in the department one employee can not know what the other is earning. With regard to the hourly rates the company has evidently considered that the employees do not want to know what each other is making.

The COMMISSIONER: That may very well be. The point is, however, that each employee should be able to find out for himself without the ordeal of going to a superior official and running the risk of an unwelcome reception. It is the employee's right.

Mr. BALLANTYNE: Of course it is his right, and I have been under the impression that the information was readily available to him.

(19000 follows)

THE COMMISSIONER: It is not the evidence I got in Quebec, certainly.

MR. BEAUREGARD: No, there was quite a considerable number of employees --

THE COMMISSIONER: They all swore -- those that gave that evidence all swore they did not know how they were being paid.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: If they were telling the truth that is a very improper state of affairs, and that they could not find out. I remember one person said something about some woman there; the woman told her she better not be too inquisitive.

MR. BALLANTYNE: That is the case of -- I forget the witness' name. She said first of all, her first story was this: "I went to Miss Wood who was a clerk in the department and Miss Wood told me it was forbidden to tell the employees". Her second story was she was working with the sister of Miss Wood and that the sister found out, went to Miss Wood and was told the same thing, and, as a matter of fact Miss Wood was not a clerk in the department at the time that that witness claimed to have got that information from her. To my mind that was a perfectly ridiculous statement to have made.

MR. BEAUREGARD: It does not strike me in the same way at all. There may be an explanation of that. Miss Wood may not have been in the office, though I don't remember the part of the evidence in which you have

found that, but she may not have been at the office right at that moment, but she may have been in the office some time before and she may have known something. I don't see how you can --

THE COMMISSIONER: Again she might have meant she asked Miss Wood's sister and she would take that to mean as if she had asked Miss Wood. I don't remember that she appeared to be telling a lie about it.

MR. BALLANTYNE: Even accepting her story as she told it I mean I don't think that indicates that there is any attempt -- I mean it would be perfectly foolish and ridiculous -- on the part of the company to try and keep its wage rates secret from its employees, and there has been no attempt to do so. Some particular clerk working in the office might feel she hadn't the right to say something, that she was not the person to give that information. There were the second hands and the foreman of the department in which that women -- her name escapes me for the minute -- in which she was working.

MR. BEAUREGARD: Even if we do not go as far as to say it was the policy of the company not to make known the hourly rate, if it is not the general policy or it is not the rule of the company I might say that it should be exactly the opposite. It should be the converse. It should be open for everybody and everybody should know withoug asking how much he is earning per day or per hour. It should be exactly the converse.

MR. BALLANTYNE: Well, I quite agree, my lord.

There is absolutely no question about it. There is no matter of argument. They should know it and they do know, now, at any rate even if these particular witnesses did not know. Now, the next section is paragraph four, the relationship of wages to (a) cost of production, and (b) total salaries and wages.

"(a) Cost of production

Mill wages form the second largest item of production cost and the largest controllable element in the cost of producing goods. Exhibit"--

THE COMMISSIONER: The first is raw material, is it?

MR. BALLANTYNE: Yes, my lord.

"Exhibit 1230 (distribution of the sales dollar for the years 1927-1936) shows graphically the importance of mill wages as an element of the sales dollar. It shows the following relationship between materials and mill wages:"

Now, here there is a misplaced decimal point. It is obvious 1927 to 1931, materials should be 44.83 cents.

THE COMMISSIONER: That has been corrected in my brief.

MR. BALLANTYNE: I am glad of that, my lord. Materials 44.83 cents, mill wages 26.09 cents, total 70.92 cents. So that just these two elements of cost we might say amount to, or leave about 29 cents for the other costs of production and for profit. 1932 to 1936, materials 42.59 cents, mill wages 27.64 cents, total 70.23 cents, and over the whole period materials 43.82 cents, mill wages 26.79 cents and total 70.61

cents.

"(b) Exhibit No. 519, which is an analysis of salaries and wages paid for the seven years ended 31st March, 1936, shows clearly the relationship of mill wages to total salaries and wages paid throughout the period. During that period the Company has expended in direct wages and salaries to its employees a sum of $33,369,247.32. Of this sum 86.26 per cent was paid in mill wages.

The balance, 13.74 per cent, is made up as follows:

1. Head office and executive.....2.92%
2. Head office administration and selling.....5.20%
3. Mill salaries.....5.62%

I beg your pardon, in number one I said "head office and executive"; that "and" should not be there. It is "head office executive".

" 3. Mill salaries.....5.62%
Total.....13.74%

Now, I have set this relationship out here shortly because I think a knowledge of that relationship is necessary when it comes time later to consider the reduction which was made in the company's wages in 1933. Section five, labour policies.

"(1) Minimum wage laws.

Mr. Gustave Francq, President of the Quebec Minimum Wage Board, gave evidence upon the Seventy-seventh day (October 28th, 1936). This legislation applies to women only.

" The following rates have been established for the Textile Industry in the Province:

Montreal:	10%	at not less than	.14½ cts.	per hour.		
	25%	" " "	"	.19 cts.	"	"
	65%	" " "	"	.25 cts.	"	"
Outside Montreal:	10%	" " "	"	.12½ cts.	"	"
	25%	" " "	"	.17 cts.	"	"
	65%	" " "	"	.21 cts.	"	"

For the industry the 1936 report of the Minimum Wage Board shows 2613 female employees in Montreal and 8511 in the other districts."

THE COMMISSIONER: Is this your own company?

MR. BALLANTYNE: No, these are the general figures for the whole industry.

THE COMMISSIONER: The whole textile industry.

MR. BALLANTYNE: Yes.

" For 1935 for the industries reported, average wages for 2510 women textile workers were sixth highest in Montreal, and for 7316 outside of Montreal were the second highest in the Province.

In so far as this Company is concerned, the evidence submitted shows not only compliance with the minimum wage laws, but that wages paid to female employees were considerably in excess of the legal minima.

Exhibit No. 267 shows for the Sherbrooke Plant, both cotton and rayon divisions, a classification of female employees in the groups as set by regulation of the Minimum Wage Board.

" In the cotton division, 69.47% were earning at the rate of not less than 21 cents per hour, 25.26%"--

There were corrections there, my lord, in the decimal point with regard to the 21 cents. I don't know whether you have it.

THE COMMISSIONER: Not less than 21 cents per hour.

MR. BALLANTYNE: The decimal point is misplaced or was originally.

THE COMMISSIONER: Well, it has been changed. There is no decimal at all now.

MR. BALLANTYNE: "--25.26% at the rate of 17 cents to 20.9 cents per hour, and 5.27% at the rate of 12½ cents to 16.9 cents per hour.

In the rayon division 65.16% were earning at the rate of 21 cents or over, 25.16% xbetween 17 cents and 20.9 cents and 9.68% between 12½ cents and 16.9 cents per hour.

Comparing this exhibit with No. 266, it shows that of the 69.47% who were earning over $11.55 just over 50% of them were actually earning over $12.00 per week; in the rayon division 70% of the highest group earned over $12.00 per week."

MR. BEAUREGARD: How many hours per week does the $12.00 per week cover?

MR. BALLANTYNE: The figures for hours in that year--

MR. BEAUREGARD: I believe Mr. Francq said there was an error.

MR. BALLANTYNE: In this exhibit?

MR. BEAUREGARD: In his exhibit inasmuch as the calculation had been made on 55 hours per week instead of 48.

MR. BALLANTYNE: These are our own figures made up -- these exhibits are made up from our own payrolls, and the hours of work, I know we have just discussed them in 1935 and 1936, and they were less than --

MR. BEAUREGARD: That $11.55, is that money actually paid? Is that something actually paid or is that the full week?

MR. BALLANTYNE: At the rate of.

MR. BEAUREGARD: That is the standard week?

MR. BALLANTYNE: Yes, that is the standard week of fifty-five hours.

MR. BEAUREGARD: The standard week of 55 hours.

MR. BALLANTYNE: Yes, because I have "at the rate of" here.

THE COMMISSIONER: That is to say where you have $12.00 per week you mean a week of 55 hours?

MR. BALLANTYNE: Yes, they were earning at that rate.

MR. BEAUREGARD: As a matter of fact, Mr. Franco says that mills outside have worked 45 hours per week last year; I mean from August, 1935 to August, 1936, that the mills outside have worked 45 hours.

MR. BALLANTYNE: That is my recollection.

MR. BEAUREGARD: I think your own mill has worked 45.8 hours. This would be a standard week, anyhow, of 55 hours.

MR. BALLANTYNE: 55 hours.

"These figures"-- yes, I have got it --"show earnings at the rate of $12.00 - $15.00 per week and higher.

Similarly, with regard to the Montmorency Branch, Exhibit No. 274 shows not only that the requirements of the Minimum Wage Board have been complied with, but that a large percentage of female employees are earning at rates considerably in excess of the established minimum rates, and in excess of $15.00 per week", for a 55 hour week.

" Exhibit No. 1248 prepared by the Secretary of the Commission shows the distribution of female employees according to hourly earnings, 1936. This exhibit shows that for the Montreal mills, not only the upper group of employees under the regulation of the Minimum Wage Board, providing for a minimum wage of twenty-five cents per hour, but that the average earnings of all the female employees was 26.11 cents as compared with the highest group minimum of 25 cents per hour".

I might add there that whereas the highest group rate fixed by the Minimum Wage Board is 25 cents the average for all three groups is 22.51 cents for the city mills.

"Similarly, for the mills outside Montreal, where the highest minimum wage group is twenty-one cents per hour, the exhibit shows that the average earnings per hour of all the female employees was 22.91 cents."

For the three groups of those outside Montreal the average

rate is 19.10 cents per hour, under the Minimum Wage Board.

"(2) The Work Load And Labour Conditions.

Mr. Ralph E. Loper of Greenville and Fall River, Mass., was called as a witness by the Company. The business of his firm consists of cost accounting and consulting work for textile mills, which he and his firm have carried on for twenty-two years. In addition to his experience in the United States Mr. Loper has been active for the past fifteen years in connection with Canadian mills of whom approximately 80 per cent have been clients of his firm. In the opinion of this witness the work required of Canadian textile operatives is somewhat less than would be considered good practice in the United States. This opinion applies to the Dominion Textile Company Limited. The witness also states that his opinion as to work loads of employees as to the Canadian industry generally and good practice in the United States applies very definitely to the Sherbrooke division of the Company."

Your lordship may remember that just before he gave evidence he had been out to that particular plant and that is why he made that distinction.

"The work loads of the Company are such as would permit an employee a certain amount of rest.

With regard to the working conditions at the Sherbrooke Plant (where the witness had made a

"recent inspection) he found general working conditions there such as light, air space and toilet facilities to be better than average, and what he would consider to be good.

The report of Mr. C.V. Fessenden deals also with the question of work loads, although not specifically with the Dominion Textile Company. The net result of thirteen studies made of groups of weavers is (page 9) that the various groups of operatives on weaving are judged to be on assignments which cannot be criticised as excessive, and which in some cases, based on the way the work was running at the time of the studies, could have been slightly larger without creating an excessive work load.

As regards the spinning, several of the assignments were judged to be somewhat lighter than normal; one group (not in Dominion Textile Company Limited) was judged to have an unusually heavy assignment of work, based upon the actual amount of work being done.

On page 11 of the report is given an analysis of the earnings of female weavers and spinners of the Merchants Branch of the Dominion Textile Company. The earnings per hour of the weavers are given in various age groups from 34.2 cents to 37 cents. It is stated that the obvious upward tendency of earnings assumes, presumably, ability to handle the customary assignments in

"this mill, as does also the number of operatives in the older age groups. The report states in part (page 12):

' It can, however, be stated that generally speaking in American and Canadian mills a reasonable proportion of operatives from 45 to 50, and at instances up to 70 years of age, were observed to be handling normal assignments in those mills without apparent over-exertion'".

MR. BEAUREGARD: He doesn't say how many operatives are from 45 to 50 years of age or how many are 70 years of age.

MR. BALLANTYNE: No, but I think, if my recollection serves me right, a number of the witnesses whom we heard were men of 45 to 55.

"The report further states (Page 25):

' From about 1921 there has been an accelerated trend, both in Canadian and American cotton textile mills in the direction of improved machinery, more careful adjusting of machinery and a general all-round improvement in attention to details affecting the quality of the yarns. As a result of these improvements year after year the amount of work required of an operator to tend one loom on any given cloth, or to tend one spindle on any given yarn, has decreased. At the same time a study of the work done by weavers and spinners was carried on and many operations of an unskilled nature were taken away from

" 'these skilled operatives and handed over to less skilled operatives. Scientific standards of machine adjustment were set and machines maintained accordingly. Working methods and details were improved in the light of careful study in mills.

The results of these changes can be seen in the constantly increasing number of spindles and of looms which can be tended by one operative with no increased effort. Both from observation in the mills where the work is still carried on according to the old unspecialized method, and from the evidence of textile engineers who have actually studied the real work done by operatives under the conditions of ten years, or more, ago, as compared with the conditions of to-day, it can be stated that generally speaking the tendency, as the machines per operative increased, has been towards a decrease in the real work required of the operative, per hour.'

Mr. Fessenden has little to say with regard to working conditions, except that which is to be found upon page 21 of his report. He points out there that the cotton textile industry requires an abnormal amount of humidity in the air, and that certain departments are hot unless kept cool by outside weather or by artificial means, which up to the present have been very

"expensive. In addition, the unavoidable presence of lint in the air is very unpleasant when people are not accustomed to it."

MR. BEAUREGARD: Does he mean it becomes pleasant when people are in it generally?

MR. BALLANTYNE: That is something you should have asked Mr. Fessenden.

"The noise of the machinery is equally unpleasant until one becomes used to it.

Mr. Fessenden finds, however, that although these unpleasant working conditions strike one forcibly when first entering a mill, it is not judged that they are a serious factor in the life of a worker in those mills. He also points out that the Merchants Branch of the Dominion Textile Company has installed air-conditioning equipment."

He didn't point out that the same air-conditioning equipment was also installed at Montmorency and at Valleyfield.

MR. BEAUREGARD: You have three mills that have ventilation, forced ventilation.

MR. GORDON: Air washing and circulating.

MR. BALLANTYNE: "(3). Pensions. When I prepared this brief I only put this very short reference in of what the company does in this regard and I propose to read it now. When I am discussing Mr. Beauregard's brief I would like to go into this particular subject a little more fully.

MR. BEAUREGARD: Before you start, when you say

"air-conditioning equipment" you do not mean what we understand now by air-conditioning, do you?

MR. GORDON: May I answer that?

THE COMMISSIONER: Yes.

MR.GORDON: Yes, I think it is, my lord, what is generally understood by air-conditioning. Certain air-conditioning equipments have got a brine treatment, or means of cooling the air apart from the cooling that is effected by washing it. We pass the incoming air through a water screen, cold water, which removes the dirt, or the air that is being re-circulated in the mill goes through this screen and out into the mill again, and that automatically washes and cools it, but there are more elaborate systems where the air is taken over a cold pipe which is kept cold in the way that you freeze water artificially by brine, and so on, but we have not got that, but most of these houses with air-conditioning are usually just done by water.

MR. BEAUREGARD: Can you state how many times in a day the air is renewed?

MR. GORDON: It is supposed to change -- I forget the exact figures -- but it is several times an hour that the air is changed in the departments through that system, completely changed.

SECRETARY WHITELEY: The general understanding of air-conditioning now is also controlled humidity and temperature such as you get on the railways now.

MR. GORDON: I don't think we could control it

automatically on that scale in our departments.

SECRETARY WHITELEY: I think that is what Mr. Beauregard had in mind.

MR. BEAUREGARD: It is because I want to differentiate this air-conditioning from what we understand nowadays in private houses or establishments of other natures.

MR. GORDON: Yes, there is a difference. It would be controlled automatically in private houses on a small scale, but on a big scale it is very hard to do that.

MR. BALLANTYNE: "(3). Pensions.

The annual report of the Company for the year ended 31st March, 1935, reads in part as follows:--

" Employees: Our Company like many other Canadian concerns of similar character for many years has been taking proper steps to safeguard the position of employees and their families in sickness, death and old age. This fact has not been stressed in the past as it was hardly considered necessary to emphasize a policy which is so generally practised by reputable firms in this country.

The sum of $73,154.75 has been paid in pensions to retired employees over the past year, bringing the total amount paid out since the Pension Plan was first put on a regular basis in 1923 up to $565,997.14.

A Group Life Insurance Plan is in effect,

" 'which provides insurance, amounting to the total sum of $625,000.00 at the present time, on the lives of employees, and to which the Company contributes a share of the premium. Accident and Sickness Insurance is also in effect in certain of our plants where the workers, in sufficient numbers, have signified their interest. In such cases, the Company absorbs part of the cost of protecting the employees against loss of earning power when ill, or prevented from working by an accident outside of the plant. The employee is, of course, insured against accidents occurring in the course of his work through the Workmen's Compensation Act'".

MR. BEAUREGARD: As to the amount, the general amount, the total of the amount paid for pensions have we any exhibit to show how much was paid to salaried employees and how much was paid to wage earners?

MR. BALLANTYNE: No, I don't think we have ever produced that information. We did with regard to Valleyfield and Montreal Cottons but we never did with regard to the Dominion Textile Company. We could find out for you.

MR. BEAUREGARD: Could you give us the percentage?

MR. GORDON: Yes. I can tell you we are paying in pensions to staff, retired staff, about $10,000 a year, out of $73,000. The rest is all wage earners, but I will get you the full information.

MR. BALLANTYNE: "(4) The Trend Of Wages.

The long term trend of wages is discussed in Mr. Fessenden's report, and is based upon data obtained from the grey mills of the Dominion Textile Company for the years 1912 to 1936. His conclusions are quoted in paragraph (3) of section 3 of this Division, and will not be repeated here".

MR. BEAUREGARD: Oh, you might have repeated them.

MR. BALLANTYNE: I am very fond of Mr. Fessenden.

" The trend of wages over a shorter period may be considered for the years 1930 to 1936. The period referred to is a representative one, commencing in the prosperous year of 1929 and extending over the depression years 1931, 1932 and part of 1933, and into the recovery period of the latter part of 1933 and in 1934 and 1935. Net earnings from manufacturing and trading available for dividends, expressed in a percentage of total sales, were as follows:--

Year ended 31st March, 1930	6.21%
" " " " 1931	5.21%
" " " " 1932	5.59%
" " " " 1933	.66%
" " " " 1934	8.06%
" " " " 1935	4.88%
" " " " 1936	3.63%

It should be pointed out that the above net earnings for the years 1931, 1932 and 1933 would have been much less had the normal and proper amount been written off for depreciation. In each of those three years the amount written off for depreciation was only $635,572.00x as compared

"with depreciation of from $1,000,000.00 to over $1,600,000.00 in the other years of the Ten-Year period.

The annual report of the Company for the year ended 31st March 1933 shows a profit from operations of $367,215.78. Deducting from this sum interest and premium on bonds redeemed left a net profit from operations of only $70,370.78. During the same year it was necessary to transfer a million dollars to reserve for depreciation of investments and common stock dividends were reduced 20% in the third quarter of that year."

Now, Mr. Heward, when he was discussing the financial affairs of the company, went into the results of its operations in 1931 and 1932 and 1933 quite fully. This morning in discussing the factors affecting wages we saw what was happening as to the relative -- first of all as to the declining size of the pool available for labour and capital and then as to the proportions in which they were participating in that pool. Then, besides that at this time the result of the diminishing in that pool was that it had become necessary to draw upon the surplus of the company, quite apart from the one million dollars which was taken to cover investments. Now, that was very generally the company's own financial picture at that time. It is also necessary to try and recollect the general situation which faced the management then. Personally I find -- my memory may be short, but it is difficult to recall now the state of business

generally and of public confidence in the beginning of 1933. Englandhad gone off the gold standard back in 1931. 1932 had been a year in which all business suffered very severely and during which a great many bankruptcies took place, and in the early part of 1933 all banks in the United States were closed, and the outlook then for management was a pretty depressing one in which industrialists of every country in the world were fighting just as hard as they could to obtain outside markets. Now, that was very generally the situation which the management of the Dominion Textile Company faced then, and that was the knowledge which they then had. Now, I would like to go on with the brief to see what they did in view of those general conditions.

THE COMMISSIONER: Well, we will take a few minutes.

-- The Commission adjourned for a short recess.

-- On resuming.

MR. BALLANTYNE: I was going to go on to read to show what the company did in the way of reductions of salaries and wages during the depression years, at page 53.

" The following table shows the relative decline over the seven-year period in unit salaries and wages from those in effect 1929-1930, expressed in percentage figures".

Now, the effect of the reductions in --

THE COMMISSIONER: Pardon me, Mr. Ballantyne, I meant to say I must adjourn to-day at a quarter to five.

MR. BAILLANTYNE: Yes, my lord. In 1931 the effect of the reductions amounted to 3.13% in total salaries and there were no reductions in wages which were 1.52% over the base period. In 1932 came the first large reductions in head office executive salaries when they were reduced 9.21%, and total salaries by 7.71%, and mill wages were not reduced but were 2.25% above the base period. In 1933 head office executive salaries were cut 19.15%, total salaries by 12.04% and wages remained at a figure of 2.66% over the base period. The reductions that took place in 1933 are reflected in the 1934 figures when head office executive salaries were 23.09% down, total salaries were 13.52% below the base period and mill wages were reduced by 7.67%. In 1935 head office executive salaries had been reduced by a percentage of 33.76%, total salaries by 17.07% and mill wages by 2.68%. In 1936 head office executive salaries were still lower being 35.40% below the base period and total salaries 16.76% below the base and mill wages 1.59% below. Now, what is particularly striking about this comparison is that --

THE COMMISSIONER: Does that last figure bring things up to date?

MR. BAILLANTYNE: No, it doesn't, my lord.

THE COMMISSIONER: It doesn't take in the last increase?

MR. BAILLANTYNE: No, it doesn't bring in the last increase.

" What is particularly striking about this comparison, is that, while total salaries declined 12.04% to the year ended 31st March, 1933, mill wages (on a full time basis) increased 2.66% over the same period".

I may say perhaps to make that table a little clearer we are talking in that table of rates of salaries and rates of wages.

SECRETARY WHITELEY: What were the factors that brought that up?

MR. GORDON: Just better earnings in short time. The total wages earned divided by man hour went up.

SECRETARY WHITELEY: What were the factors that did bring it up?

MR. GORDON: In short time the higher paid constant wages had a tendency to bring up the average paid as compared to the fuller operations.

SECRETARY WHITELEY: Oh yes.

MR. GORDON: In fact, they might work harder in short time, piece workers might work harder still to hold up their earnings.

(page 18120 follows)

-- After recess:

MR. BALLANTYNE: "What is particularly striking about this comparison, is that, while total salaries deblined 12.04% to the year ended 31st March, 1933, mill wages (on a full time basis) increased 2.66% over the same period. In the year ended 31st March, 1934, a reduction of 7.67% in mill wages, from the year 1929 - 1930 is noted. This was the result of a reduction made in basic rates of mill wages. It is to be noted that, in the year ended 31st March, 1936, total average salaries had declined by 16.76% against the decline in mill wages of 1.59%; a difference of 15.17% against the item for total salaries.

The first important reduction in salaries was made in the year 1931-1932, and it will be seen that Head Office Executive Salaries were reduced by 9.21% from the base year 1929-1930, whereas other salaries were reduced an average of 6.36%. In the year 1935,-1936, a reduction in unit salaries had reached 35.40% for executives, from the base year as against an average of 11.02% for all other salaries.

Total mill wages paid over the past seven years have averaged 86.26% of the company's total disbursements for salaries and wages. The balance 13.74% is made up as follows:

1. Head Office Executive	2.92%
2 Head Office Adm. & Sel.	5.20
3. Mill Salaries,	5.62
Total	13.74%

Referring to the table of percentage declines in average unit salaries and wages, and to the average seven-year percentage (13.74%) which aggregates salaries bear to the total salaries and wage expense it is interesting to observe that, by reducing average salaries 12.04% in 1933, and approximate saving was made of 12.04% of 13.74, or only 1.65% of the Salaries and Wages Account.

On the other hand, average mill wages over the seven-year period constituted 86.26% of the total Salaries and Wages item, and a reduction of 10.33% of this figure, from the 1933 level, resulted in a saving to the Company of approximately 8.91% of the total annual disbursement for salaries and wages.

It is therefore evident that it was only by reducing Mill Wages that any real saving could be made in the salaries and wages item, and it should be borne in mind that the reduction in Mill Wages was not made before the Company had completed three successive years of relatively poor business, and had already taken drastic steps in the reduction of salaries and dividends."

I might interrupt here for a minute to point out that in spite of the decrease which the Company made in its wages early in 1933, the worker actually earned as much for the fiscal period from 30th

of April, 1933 - when I say as much, practically as much. It is very very close - for the fiscal period from 30th April, 1933 to 1934 than he had done in the previous year before the cut was made due to the increase in working hours in the fiscal year which ending 30th of April, 1934.

THE COMMISSIONER: They earned as much - they had to work longer.

MR. BALLANTYNE: Yes, they worked longer hours. But as it turned out during that year there was more work available for them, so that in actual earnings it came out about the same. Now, I think these increased hours of labour were made possible because the Company was able to sell its goods at a lower price and it could only effectively reduce the price of its goods by making some cut in the largest controllable element in its cost of production. Had it not been possible to reduce prices there might not have been as much work available for the workers at the old rates.

MR. BEAUREGARD: Otherwise they would tie up with the result of 1934, which happens to be the best year of the Company, as far as I remember, since 1927 and it happened to be that the wage-earners have suffered reduction to go through this best year of the 7-year period.

MR. BALLANTYNE: I am very glad Mr. Beauregard brought that point up because the situation is this: The company is not a prophet. If it had known that 1934 was going to turn out much better than

1933 it probably would not have reduced wages. The situation in any good year, when that year is finished, the Company judges by the results of the operations of the year just completed and the years immediately preceding it, and as soon as they found out what the results for the fiscal year ending in 1934 were there was a partial restoration of the wages then, but to say that because 1934 turned out to be a profitable year the reduction should not have been made in 1933 I think is putting the cart before the horse. It is crediting to the management a pre-vision which they could not be expected to possess. They had to meet circumstances as they existed at the time they made that decision.

THE COMMISSIONER: Things looked pretty bad all right about March and April of 1933.

MR. BALLANTYNE: Yes. There were not many of us, in business or not, who had very bright hopes for the coming year.

THE COMMISSIONER: That is the time that the American bank closed.

MR. BALLANTYNE: Yes. They opened in March or April 1933, partially.

THE COMMISSIONER: Yes, it was a pretty bad epoch, I remember that.

MR. BALLANTYNE: "To complete the history of the trend of wages of the Company over this period, it must be borne in mind that there has been a further increase in the rate of wages since the cessation of hearings by the

Commission. This increase became effective on the 7th of December, 1936, and its effect was to restore the level of wages to those existing prior to 10th of April, 1933."

Now, section 6, "Evidence of Mill employees."

"Four different groups of mill employees of Dominion Textile Company Limited gave evidence.

(1) 39 employees of the Cotton Division, of the Sherbrooke Branch of the Company were heard at Sherbrooke, P.Q.

(2) Six employees of the Rayon Division of the Sherbrooke Branch of the Company were heard at Montreal.

(3) 22 mill employees of the Montmorency branch were heard at Quebec, P.Que.

(4) 5 employees of the Cotton Division of the Sherbrooke Branch and 6 employees of the Hochelaga Branch, Montreal, were heard at Ottawa.

In reviewing this evidence no attempt will be made to deal with particular and individual complaints which were made by some of the employees, as it is submitted that in every case these particular complaints were answered by direct and clear evidence."

Now, I think on the whole that that was the case, where there was a complaint relating to some individual it is my recollection, and from my reading of the evidence, that most, if not all, of those complaints were answered. Whether answered satisfactorily

or not of course depends upon your lordship.

"For the purposes of this inquiry, attention should be given only to those complaints which had a general bearing on the work done and working conditions.

It is worth pointing out to begin with that the two groups of employees who were examined away from the town in which they worked and without an audience of fellow workers, either had no complaints or made obviously unfounded and unimportant complaints which did not bear up under cross-examination; for example, the six witnesses from the Rayon Department at Sherbrooke, who were examined at Montreal had no complaints to make, with one exception."

THE COMMISSIONER: Does that include - there were two women who were brought there by the Company. Are you including them in the six?

MR. BALLANTYNE: No, my lord, those were two women who came from Montreal Cottons, they were two weavers. Remember the champion, you call her, Mr. Beauregard?

MR. BEAUREGARD: A-1, three stars.

MR. BALLANTYNE: "Madam Rose Provencher stated that she had received only $5.00 for 40 hours work. This was wrong, and the actual hours worked by her, and the pay received, are given in Mr. Gordon's evidence."

We took this up when Mr. Beauregard was making his

argument, this particular case of Madam Rose Provencher and read Mr. Gordon's evidence at that time.

"It is interesting to note that none of these employees complained either as to the hardness and difficulty of their work, or as to the conditions under which they were obliged to work."

THE COMMISSIONER: That is not quite accurate. Perhaps they did not complain but some did state the work they were doing was very hard. Some of the women in Sherbrooke.

MR. BALLANTYNE: Oh yes, I am talking of the six who came up.

THE COMMISSIONER: That is my mistake, you are just referring to this witness.

MR. BALLANTYNE: There were six that came up to Montreal.

"Four of them to whom the question was put knew the basis of their pay. Two of them, namely, Lamontagne and Riel stated that with an increased number of new machines the work was easier than it had been with fewer machines, and was not too hard.

"With regard to the evidence of operatives at Sherbrooke, which was given upon the 18th and 19th of March, 1936, the following complaints of a general nature were made by one or more witnesses:

(1) That the number of machines to be tended by an operative had been increased without a

corresponding increase in pay.

(2) That the job assignment was too heavy.

(3) That in some cases operatives were obliged to work before 7 o'clock in the morning and to do overtime work.

Now, that, my lord, seemed to me to be the principal complaints of a general nature which were made during the hearings at Sherbrooke. I am not saying for a minute that there were not other types of complaints made, as there certainly were, but these are the kind of complaints which seem to me to have a general bearing upon the condition of the worker and which should be considered.

2(1) Some six witnesses complained that the number of machines which they were obliged to tend had been increased without any corresponding increase in pay.

The Superintendent of the Cotton Division, Mr. Carrigan, gave the following reasons for the increase in the number of machines per operative:

(a) A change in the type of fabric from that produced when the mill was owned by Canadian Connecticut Cottons."

MR. BEAUREGARD: But the Dominion Textile continued the work of Connecticut Cottons.

MR. GORDON: Yes, but at the same time began to change it.

MR. BALLANTYNE: I think about that time that that Company lost a contract with the Tire Company

or knew it was going to lose that contract because the Tire Company was putting up its own plant.

MR. BEAUREGARD: I mean to say the coming of the Dominion Textile Company does not coincide exactly with the change in the machinery.

MR. GORDON: Did not happen over night, the change commenced after we got there.

MR. BALLANTYNE: "(b) The improvement in the machinery.

(c) The change in the system of operations by giving the expert worker only skilled work to do and providing him with helpers to carry on the secondary operations.

(2) A number of the witnesses heard at Sherbrooke definitely stated that they had to work too hard, while 14 had no complaints to make upon this score.

The situation with regard to work loads is discussed in paragraph 2 of Section 5 of this division. It is submitted that the conclusions reached in that paragraph show clearly that the work loads are not excessive."

I would say at this point that I do not mean that a work load under all circumstances could not be heavy. When a method of work is being tried out or when a new style is being set, I presume there is a possibility that too much may be asked of a particular operative, but I think that in their system of setting the work load of the employee that is something which would be found out and which would be corrected.

MR. BEAUREGARD: Would not you consider that the load is too heavy when the employee has no time to take his dinner at 6 o'clock at night? and should take his 6 o'clock meal while he is working?

MR. BALLANTYNE: No, my recollection of the evidence at Sherbrooke is that outside of a man called Simon Plante and another man - Plante claimed that he worked 12 hours a day, but it seemed to me that the majority of the witnesses who were heard at Sherbrooke stopped at 6 o'clock. There was some overtime done down there in the Autumn of 1935, some months before the holidays.

MR BEAUREGARD: There were a score of witnesses who did work and who had no time to take their supper. Some said that this lasted for two or three months. In my mind it is an overload.

MR. BALLANTYNE: This relates back to the complaint that they were obliged to work before 7 o'clock in the morning and do overtime work.

"The Superintendent of the Cotton Department states that the power to run the machinery must not be turned on before 6.30 A.M., and then not by the operatives themselves. If they do so, they are breaking the rules of the Mill. The same witness states that there is over-time work only in the case of necessity, such as getting orders out or balancing of the Mill for production - that is, if the spinning department was running ahead of

the carding department, overtime would be authorized in the latter. Overtime work generally commences at 6.30 P.M. and continues until 10 P.M. The witness can recall only twice in 9 years when women employees were required to do overtime work. Both these occasions happened about 1930.

Where complaints were made they were confined almost exclusively to one or more of the above three grounds."

Perhaps I have stated that too baldly. What I mean is that where complaints were made which had a general bearing they were confined almost exclusively to one or more of the above three grounds.

"Eight witnesses, to whom the question was put, knew the basis of their pay - Marcheterre, Destrempes, Lambert, Bouthillier, Caya, Plante, Breton, Derosiers.

Five witnesses produced and filed pay envelopes, which, in some cases, indicated low wage rates for the fortnightly period involved..."

THE COMMISSIONER: "Rates" should be "earnings."

MR. BALLANTYNE: Yes, my lord.

"Five witnesses produced and filed pay envelopes, which, in some cases, indicated low wage earnings for the fortnightly period involved. In each case, however, it was for a period in which the witness had only worked part time.

Upon the whole, it is submitted that this evidence did not disclose any real basis of

complaint. It is submitted that anyone (not only mill workers) to whom questions were put as to the degree of hardness of their work would, in most cases, be likely to say that they worked hard ~~fe~~ or too hard."

THE COMMISSIONER: Does not apply to counsel.

MR. BALLANTYNE: Well, if I was asked I would certainly complain, whether I felt I worked too hard or not.

"The evidence of the mill employees of the Montmorency branch was given at Quebec upon the 17th and 18th days of the hearing, 22nd and 23rd of April, 1936. Compaaints of a general importance were made with regard to the following matters:

(1) As to sanitary arrangements.

(2) As to drinking water.

(3) As to ignorance of basis of pay.

(4) As to lack of provision for cloak and dining-rooms."

"(1) Five witnesses stated that the sanitary arrangements were bad. Four witnesses stated that the sanitary arrangements were satisfactory or good."

MR. BEAUREGARD: I don't know if we can make much out of that, since we know what they are.

MR. BALLANTYNE: I submit what I am prepared to do. I had been adding, I hope accurately, the number of witnesses who said such and such a thing. I am quite willing to state now that I am willing to say

that these general complaints were made by a number of the witnesses and that they are complaints which we have got to meet whether they were made by four or forty witnesses.

"Alfred Poliquin, yard foreman, and in charge of cleaning, deals with this particular complaint. There is a gang of eight men who do nothing else except the cleaning of the plant. One man works only at the cleaning of the toilets, which is also done once a week by the whole gang. In the larger departments the toilets are cleaned once a day. This witness points out, and is confirmed by Samuel Desrochers, Chief Factory Inspector, that some of the operatives are deliberately responsible for any actual bad condition or destruction of the toilets. The factory inspector also says that the sanitary arrangements are good at Montmorency, insofar as inspection and cleaning are concerned.

(2) Seven witnesses made complaints as to the quality of the drinking water.

Harry Johnston, Master Mechanic of the Mill is in charge of the water supply there. His evidence brought out :

(a) That the source of the water for the mill was the same as that for the village, where a large number of the employees lived."

MR. BEAUREGARD: If they would stand for bad water during the night they could stand for bad water during

the day.

MR. BALLANTYNE: No, I did not point that out as a justification but as to a comment that was made.

"(B) That high pressure was put in to ensure at all times a sufficient supply of water in the upper floors. This was done in 1933.

(c) That at the same time strainers were installed.

(d) That the work in connection with the installation of a filtration plant was 70% completed at the time of his giving evidence. This work started with the construction of the new mill in the spring of 1935. This witness also stated that before these improvements were made, foreign matter was found in the water in the spring time during freshets, and also during heavy stormy summer weather. The same conditions still exist in the village of St. Gregoire, where nothing has been done to improve the quality of the water."

MR. BEAUREGARD: You should supply the good water in the village, the same as you do there.

MR. BALLANTYNE: Probably will do that.

"(3) Fourteen witnesses complained that they were ignorant of the basis of their pay.

It is difficult to believe this complaint to have been made in good faith by those employed upon an hourly basis. With regard to piece workers, the evidence shows clearly that there are production reports in each Department from which they can ascertain and

check the amount produced by them. As to the rate per unit of production, this is available to them upon enquiry from the foreman.

Louis Boutet, foreman of the Spinning Department, said that rates per unit of production were given to any employees who demanded them, and that the spinners knew the amount paid per hank.

Harold Butterworth, overseer of the Nap and Cloth room, stated that he told the employees in his Department of the rates of pay, but that they were not interested so long as they got paid a good wage at the end of each period, and that they had never made any complaints."

If my recollection is correct, Butterworth is the man who went to the Superintendent Fleming and said - I think he was the one who said it - that because the girls in that Department were such good workers, he went and got them an actual increase in pay. I think some time before the hearing.

"Alfred Bouchet, foreman of the Card Room, stated that although he had the information available in his office as to basis and rates of pay, no employee since he had been there had made any enquiry from him in this connection.

"Leopold Tremblay, Foreman of the Thread Finishing Department, stated that all prices and rates of pay were in his office at the disposal of any employee who desired to know

the basis of his pay, and that production reports were also available which employees could examine at any time. He also stated that employees had made such enquiries often and had been given the required information.

Joseph H. Chamberland, overseer of the Weaving Department, states that the amount of production and style per machine is posted and that the employees may obtain the rate per unit for each style upon request.

In view of this evidence and of the evidence of the plant superintendent, and of the Chief Clerk, it is difficult to believe that this type of complaint was made in good faith. It is unreasonable to suppose that those 14 employees, some of whom had been working in the mill for many years, would not have enquired and obtained information as to the basis of their pay, if they desired to do so."

Whatever the situation may be, whether I am wrong when I say that I disbelieve them, or I think it unlikely, the fact is now that these rates for piecework workers are posted and personally I find it difficult for some two people - I am thinking particularly now of some two elderly men who gave evidence - I find it hard to believe that they would be content to go on working without enquiring as to the basis of their pay. I am thinking particularly of Matthews and Tremblay who were two mule spinners, and with whose

case ---.

MR. BEAUREGARD: Had two positions, that they would not know what would be their earnings. They complained that they had to divide their pay among themselves.

MR. BALLANTYNE: No, my recollection is that both Matthew and Tremblay said they used to know the basis of their pay but they had not known it for some time. They knew they were paid by hanks.

THE COMMISSIONER: It was there that we had the complaint that Mr. Beauregard now refers to, where one man was made to work as the skilled man---

MR. BEAUREGARD: The two of them were skilled workers. One of them alone was considered a skilled worker for a fortnight and the other was considered unskilled and they had to divide their pay before they go home.

THE COMMISSIONER: Are you going to deal with that case?

MR. BALLANTYNE: Yes, my lord, later.

"4. Complaints as to lack of provisions for cloaks and dining rooms."

"Samuel Desrochers, chief factory inspector, stated that he had asked for a dining room to be constructed, and that it was actually in the course of construction at the time of the hearing."

I might tell you, my lord, that is quite interesting. That dining room was completed and a cafeteria put in

which is in charge of the Institute for the Blind who apparently do that in a lot of factories. They make a very small profit. Since that dining-room and cafeteria has been there the greatest number, out of some 2,000 employees, that have come to it have been fifty, and very few coming to it now except the members of the office staff, although I am instructed the charges are extremely low. It is a room which has been built specially fire proof so that they can go there and smoke within the building but they seem to prefer not to do that. They prefer to eat elsewhere.

THE COMMISSIONER: That is, if they wish, they can bring their lunches in there?

MR. BALLANTYNE: Yes, my lord, or they can buy their lunch or can buy part of their lunch and in any event can have hot water to make tea without any charge. They apparently do not want to use it.

MR. BEAUREGARD: They will get used to it.

MR. BALLANTYNE: "No special rooms have been set aside as cloak rooms, and clothes are hung upon pegs on the wall."

Albert Cote, President of the Federation, Catholique National e due Textile, gave evidence at Montreal upon the 32nd day, 3rd November, 1936. He presented a document entitled "Griefs relatifs au salaire." This document was prepared by the Union as representing the complaints which it wished to make and the conditions which it wished to have rectified. It was to make

proof of the complaints stated in this document that 5 employees of the Cotton Division of the Sherbrooke branch, and 6 employees of the Hochelaga Branch, Montreal, gave evidence at Ottawa upon the 98th Day, 24th of November, 1936.

It is submitted that this evidence failed completely to establish the complaints made in the documents made by Mr. Cote."

THE COMMISSIONER: We will resume tomorrow morning at 10.30.

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-- The Commission adjourned at 4.45 P.M. to resume Thursday, March 11th, 1937, at 10.30 A.M.

ROBT. BRYDIE
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ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

ONE HUNDRED AND TWENTY-EIGHTH DAY

(Thursday, March 11, 1937)

A R G U M E N T

Robert Brydie,
Official Reporter.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

Appearances:

J.C. McRuer, K.C. and E. Beauregard, K.C.	Commission Counsel,
R.L. Kellock, K.C.	For Primary Textile Institute.
C.G. Heward, K.C. Aime Geoffrion, K.C. and C.T. Ballantyne,	For Dominion Textile Company.
S.G. Dixon, K.C.	For Courtaulds, Limited,
L.A. Forsyth, K.C.	For Canadian Celanese Ltd. and Canadian Silk Products Limited.
Thos. Tremblay, K.C. and J.H. Hebert,	For M.E. Binz Co. Ltd.
Francois Lajoie, K.C.	For Wabasso Cotton Co.

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Ottawa, Ontario,
Thursday, March 11, 1937

-- The Commission met at 10.30 a.m.

ARGUMENT BY MR. BALLANTYNE (Resumed)

Mr. BEAUREGARD: My lord, before my learned friend deals with his brief, I should like to call to your lordship's attention a report which appears in this morning's Gazette concerning a textile firm in Farnham. It refers to a firm named Collins and Aikman Limited, plush manufacturers, and it is reported that --

"F. A. Pouliot for Missisquoi, who lives in Farnham, was happy to-day in telling his fellow members of the latest development there. It was in regard to the firm of Collins and Aikman, Limited, specialty manufacturers of plush for autos and for the furniture trade. The company will shortly establish a forty hour week for all employees, men and women, without any reduction in the earnings of the employees. Female workers no working 50 hours a week, and men who have worked 10 hours a day, will work eight hours a day for five days. Weavers on the night shift have been working 11½ hours. The plant does not work on Saturdays or Sundays.

'This is the first textile industry to adopt such a policy', declared Mr. Pouliot. 'It means day shift employees will get the same wages for 40 hours as for 50 hours, and the

"'night shift will get the same wages for working 40 hours instead of the present 57½ hours'".

It looks like an increase of twenty per cent, and in other cases somewhat over 20 per cent. I do not know if this will be an incentive.

THE COMMISSIONER: I think Mr. Whiteley will write out and get full details of this. All right, Mr. Ballantyne.

MR. BALLANTYNE: This morning I should like to discuss some of the points which have been raised by Mr. Beauregard's brief. I am grateful to Mr. Beauregard for having gone into the matter so thoroughly, because he has raised a number of matters which would otherwise have been omitted. At page 7 of Mr. Beauregard's brief --

THE COMMISSIONER: You are talking of which version?

MR. BALLANTYNE: The French version -- Mr. Beauregard deals with the workman and his place in the economic life of the country, and he says in the last sentence of the page that the industry, that is the textile industry, in growing has increased the number of workers at the expense of the other classes. What I wish to submit is that it has not been at the expense of the other classes that it has been a complement to other work which was available. That is the argument which was put forward by Mr. Kellock, that where for example, there is not enough work on the form the children of the farmer can find work in

the textile industry when they might not be capable of finding work in other forms of industry.

At page 8 Mr. Beauregard speaks of the future of the textile worker, and he says in effect that the worker is only an adjunct of the machine and is without any trade and is dependent upon the textile industry. He says further that the maximum he can look for is to become a loom fixer and at his fortieth year he will be obliged to cease work due to fatigue or illness. The only evidence that I have been able to find which supports this statement is the evidence which was given by Mr. McMahon, who was head of one of the branches of the United Textile Workers of America, and he came up from the United States and gave evidence at Montreal. I think that even Mr. McMahon said this; he said that under fair conditions, where there was not what he called the stretch-out system of work, the textile worker is physically and mentally able to go on producing to the age of sixty years. He was asked also whether in the case where they have the stretch-out system -- and by the stretch-out system I presume he means what we have been talking about, that is giving skilled work to skilled people and increasing the number of machines they tend --

THE COMMISSIONER: Increasing their production.

MR. BALLANTYNE: Increasing their production; he says innthat case they are able to work up to sixty years, and he says, but not to-day in many centres,

except -- and he made an exception -- where the primary steps were well done, that is where the material that had been prepared to go through the machines w s in good shape, and he took credit to his own unions that that state of affairs existed in some sections. Rhode Island, I think, was one place he mentioned. He said that if the system is well organized they can go on working up to sixty years. Apart from that evidence, however, it seemed to me that the rest of the evidence was contrary to the statement made that the worker is physically and mentally unable to go on after forty years. I can refer your lordship to Mr. Fessenden again at pages ten and twelve of exhibit 1209, which is his report. He gives a number of examples of women in the middle aged group who are, I think, both weaving and spinning; and on page 12 it is stated that generally speaking in American and Canadian mills a reasonable proportion of operators from 45 to 50 and in some instances up to 70 years of age, were to be observed handling normal assignments in those mills without apparent over-exertion. That is what Mr. Fessenden said. My own recollection which I am afraid I have not attempted to check very carefully, is that we did hear a number of witnesses, certainly some at Montmorency, a few at Valleyfield, and I am not so sure about Sherbrooke but certainly at the other two places we had witnesses who obviously from their appearance were over 45, and I think the

ages they gave were greater.

MR. BEAUREGARD: If you will excuse me: before my learned friend goes too deep into this I do not know whether I should not state, as I did when Mr. Kellock started with this part of my brief, to point out that the first part of my brief up to the evidence is more of the nature of a sketch. Later on, you will find, I am speaking of evidence and I may be tied up a little nearer to the evidence. But up to that point it is more with reference to the mentality of the working man himself. I do not consider that in this respect I must rely entirely on the evidence; these statements are rather broad; as I say, it is rather of the nature of a sketch. I understand it follows broadly the evidence, but the statements so made must not be treated as though supported one hundred per cent by the evidence. It has to do more with the mentality of the worker himself than anything else.

THE COMMISSIONER: The average woker.

MR. BEAUREGARD: The average worker.

THE COMMISSIONER: While he is still young and looking ahead -- this is about the way Mr. Beauregard put it -- that is how the future looks to him, but he may become a foreman; some do. That is as high as he can get.

MR. BALLANTYNE: I am not trying to say that because there is no evidence for a certain statement in the record it should not be accepted, because I think

these are general principles which are worth while discussing.

THE COMMISSIONER: I appreciate that, and I am not taking them as fully proven facts. I do not think you need waste very much time on it.

MR. BALLANTYNE: My only point in doing it was this, that I felt --

THE COMMISSIONER: You think it is not an adequate description.

MR. BALLANTYNE: I think there is a little more to be said.

THE COMMISSIONER: You think this is a little pessimistic?

MR. BALLANTYNE: Decidedly, yes. It is not a matter that necessarily I want to go into. As far as our own company is concerned, wherever we have been specifically mentioned, of course I want to answer that. The only reason that I felt I should deal with these general matters --

THE COMMISSIONER: Well, I am not stopping you, only Mr. Beauregard is explaining now the reason for the character of these statements he has given here. You can go on now and make another statement, if you like; paint the situation in glowing terms.

MR. BALLANTYNE: No, I am not going to attempt to paint pictures that I do not think are justified. The only thing is, my client the Dominion Textile Company constitutes by far the largest factor in the textile industry, and in this inquiry I think we have

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probably had more information with regard to their labour conditions than most of the other companies. And if these general statements in the first part of the brief are to apply to the conditions in our mills, then I want to say in what ways we disagree with these general statements.

THE COMMISSIONER: Well, that is right. That is allowable. Go ahead.

MR. BALLANTYNE: The first statement to which I took exception was that the textile worker was finished at forty. I would also say that the limit of his advancement is not to that of a loom fixer. As your lordship has already pointed out, and as we found during the hearing, most of the foremen and assistant foremen, the superintendents and assistant superintendents were men who had started in the mill; and of course, as in every other branch of human endeavour, those who succeed in getting to the top are a very small minority of those who work. So I do not see that the textile worker is any more limited in the possibilities of advancement than any other class of worker. It is true that the textile worker in the mill does not learn any particular trade such as painting or to be a mason. He does learn something, though, which I think is useful to him in any other branch of industrial activity in which he may wish to go. He learns manual dexterity, he learns observation and he learns industrial discipline. I do not see why the textile worker is in any less advantageous position in

obtaining work in any other line than would be the not highly skilled worker in any other industry.

MR. BEAUREGARD: I might say that we are not so far apart. In the English version of my brief, page 7, I read as follows:

" After having been a spinner and weaver, if he be possessed of more than ordinary manual skill, the textile worker may become a machinist, a 'loom fixer'. The number of such employees is necessarily restricted. With sufficient education and qualifications, of which the employer is the sole judge, the employee may become a foreman. That is the ultimate goal he can hope to reach."

THE COMMISSIONER: We know a few who did go a little higher. Mr. Kershaw in Sherbrooke told me that he began as a worker in one of the factories in England, in Manchester, and worked up.

MR. BALLANTYNE: I think all of those men started in the mill who are now mill superintendents, and foremen. I do not know of any at the moment who have gone higher than Mr. Kershaw, but he is one of the chief officers of the company.

At page 10 and following, Mr. Beauregard emphasizes the dependence of the worker upon the textile mill and says that the men and women, the girls and the boys respond more docilely to the call of the whistle than to the call of the land or domestic service. That may be true, but I think the reason that it is true is this, or whatever the reason is,

they prefer evidently to work in the textile mill, either because work is not available on the farm or in domestic service or it is not available at a return to them which is as good as they can find in the textile mill. All these statements which are made tend to emphasize the position which the textile industry takes in any country's economic development as a complementary industry which provides employment which could not otherwise be found, and without that industry we would be in a position of losing a good many of our people.

He also says that the abundance of the supply of workers in small towns is due to the existence of the textile mills. Well now, in recent years, in the case of Montmorency for example, when we were down there for the hearings there was a long waiting list of persons who desired to get work in the mill, but the particular reason for that situation was that a great many people who had been born in the villages about Montmorency had gone away and obtained work elsewhere, and when the depression came on they came back to their own villages because they could get some support from their families and they had some hope of being able to obtain employment in the mill.

MR. BEAUREGARD: Unless it would be that the company had discharged quite a number of employees in 1929 and 1930.

MR. BALLANTYNE: No. I think a great many of these people used to work, for instance, in the pulp and paper mills, and in the depression years there

was a very great cutting down there, and in all industries.

At pages 12 and following Mr. Beauregard deals with the textile worker and protection, and he refers to the textile industry as being in some sort exotic. He says, to establish itself and to subsist it must compete with the countries from which it buys all its raw material and machinery. That is correct, that it has to compete in some cases with the countries which produce the cotton and the machinery. I do not think the textile industry in Canada is any more exotic than it is in England or France or Germany or Italy or other countries. I think it is a very significant fact that so many countries have established a textile industry by means of tariff protection when these countries do not produce within their own borders the raw materials from which the textiles are made.

THE COMMISSIONER: Great Britain established the leading textile industry in the world without any tariff protection, did it not?

MR. BALLANTYNE: You mentioned that question yesterday or a couple of days ago. You went back to Henry VIII. That

THE COMMISSIONER: That was on the question of the duty on a manufacturer--

MR. BALLANTYNE: On the duty of the employer to give employment when he got protection.

THE COMMISSIONER: Well, not protection; other

governmental favours.

MR. BALLANTYNE: It is my recollection of the history of England that there was a protection for the textile industry.

THE COMMISSIONER: Yes, you are quite right. Free trade came into effect about 1840 or 1850.

MR. BALLANTYNE: Yes, with Cobden and Bright.

THE COMMISSIONER: My statement was a little too broad. There had been a textile industry before, but it was never so prosperous as in the beginning of this present century under free trade, until after the war.

MR. BALLANTYNE: Yes, but I think that in England's case there were very exceptional circumstances which explain that.

THE COMMISSIONER: No; as Mr. Beauregard says, it was certainly a very exotic industry there.

MR. BEAUREGARD: In England at least they are manufacturing their own machines. They are doing so in the United States.

MR. BALLANTYNE: And as we get bigger perhaps we shall be able to do the same here.

THE COMMISSIONER: During all that long period, for sixty or seventy years, they were doing all those things, making their own machines and manufacturing their own textilesnunder a free trade policy. None were protected at all.

MR. BALLANTYNE: Because England was so far ahead of all the rest of the world in mechanical and

industrial development. It was only when she allowed her textile machinery to go out to other nations, to Japan for example, that she began to lose her trade, which drove her to her recent action of putting up tariffs to protect her textile industry. But I was saying it is significant that so many countries have found it worth while to establish a textile industry.

THE COMMISSIONER: Yes. I suppose that is a natural thing to expect. Everybody, rich and poor, wears clothing. Some things are luxuries: take wines, for instance. We import them, -- at least we ought to import them from where they are made properly. But everybody wears clothing. But still it is exotic in that sense. Raw cotton and raw silk and so on have to come from elsewhere, and a great part of your machinery has to come from elsewhere.

MR. BALLANTYNE: Yes, but our claim is that while it is exotic in that sense it is something which is necessary to the national economy.

THE COMMISSIONER: Well, that is of course your case, and that is why I wan t to go over this particular point of Mr. Beauregard's. That is to say, as I was telling Mr. Heward, you should establish if you can that it is worth whatever sacrifice is entailed to have the industry here.

MR. BALLANTYNE: Of course I am not in a position to argue the exact nature --

THE COMMISSIONER: But that is what you are talking about, just the same.

MR. BALLANTYNE: What I do say now is that in acting as an complement it takes up the slack between the farmer, the primary producer and the heavy industry. It fills in a gap there and gives employment which would not otherwise be available.

THE COMMISSIONER: You mean to say that certain classes of textile workers could not find employment in other manufacturing establishments?

MR. BALLANTYNE: Yes, that is what I wish to say.

THE COMMISSIONER: Yes, I understand. I would say, so far as your part of the case is concerned, your task is rather to show that the working man and the working woman is being well treated, well provided for, well paid and not over-worked.

MR. BALLANTYNE: In that connection, at page 17 of Mr. Beauregard's brief, he says:

" The worker, his task and production."

The statement there to which I object is about the middle of the page, that the worker has not shared in the increased production which he has been able to make as a result of the new and better machinery supplied to him. In so far as our mill, ourcompany, is concerned, I think the direct opposite is the case. According to the report of Mr. Fessenden and his exhibit 1209, it shows that while production increased from 1914 to 1936 by 53 per cent the real wages of the worker wose to the extent of 51 per cent.

MR. BEAUREGARD: I am afraid the evidence of

Mr. Fessenden, for his part, is a circle, not to say a vicious circle, because Mr. Fessenden has got his information mostly from your superintendents, foremen, and those employees. It happens to be their own information to a large extent.

MR. BALLANTYNE: I do not think that is a very fair statement for Mr. Beauregard to make. In the first place Mr. Fessenden is an expert, and a very independent one I should think, and he made his own investigation. Naturally he had to get his information from somewhere, and he got most of it from our mill, and his report, I think, is quite clear and quite conclusive.

THE COMMISSIONER: I have not read it yet. His testimony was given under oath.

MR. BEAUREGARD: It does not mean it is not true but it happens to be your own evidence.

MR. BALLANTYNE: As far as our mill is concerned, your own expert, investigating it, came to this conclusion, and that is why I say that this statement in the brief does not apply to us; in fact quite the opposite. In two places in his brief, namely at pages 19 and 20 and page 79, Mr. Beauregard dealswith the worker and the machine and wages and mechanization, and his complaint appears to be that the machine takes first place in improvements, at the expense of the worker, and that mechanization during a time of crisis was against the interests of the worker and of the country. This complaint against mechanization is one that has been

constantly made ever since the introduction of machinery and power machinery in industry. I think a general study of economics will show that the mechanization of industry generally has had the result not of decreasing employment but of increasing it to a very considerable extent and at the same time of increasing the amount of r al wages which it was possible to pay to the employee.

In the textile industry, for example, you can divide the periods. Prior to 1835 was the era of the hand loom. From 1835 to about 1900 was the period during which power was applied to textile manufacturing and during which the individual capitalist built up the factory system. From 1900 on there has be n the development of new automatic machinery and the development at the same time of what I call the modern industrial system in comparison with the industrial system which was built up during the nineteenth century by the individual capitalists . I think that the earmarks of what I call the modern industrial system are, that it gives to the worker the best tools it can find for him, it gives services to him, and its tendency is to shorter hours and to less fatiguing work with better conditions than was the case under the industrial system in the nineteenth century. The man can be paid only for what he produces, and his wealth can come only from the exchange of goods and services. These are axioms. Where in an industry like the textile industry the individual production of

the worker can be increased a greater remuneration can be paid to him. And my contention is that the textile worker to-day, supplied with much more efficient machinery than he had in the past, and working shorter hours, is able to produce more and is therefore able to be paid more. As a matter of fact I think this question of mechanization is chiefly important in the textile industyy in Canada not to the employer but to the consumer and to the employee. If the textile industry simply said --

THE COMMISSIONER: It must be important to the employer in meeting outside competition.

MR. BALLANTYNE: Exactly. But if for example he got a tariff which was sufficiently high to protect him from that competition, the consumer would have a very well founded complaint against the textile industry if it went on using old machinery which caused a high labour cost and a high selling price. I mean that the consumer in Canada has a right to demand from the textile industry that it produce goods as cheaply as it can. On the other hand the employees, also, I think, would have a right to complain if they were not supplied by the employers with machinery which would enable them to produce more goods in less time and with less fatigue, and to be paid more.

(Page 18160 follows)

THE COMMISSIONER: Yes, as you put it there the number of those who are paid more decreases, doesn't it?

MR. BALLANTYNE: There is a decrease as in the case of weavers as has been pointed out There is a decrease in the number of weavers actually engaged.

MR. BEAUREGARD: Spinners too.

MR. BALLANTYNE: And spinners when the change was made from mule spinning to ring spinning.

MR. BEAUREGARD: And cards.

MR. BALLANTYNE: There is always that change; it has been true through the whole history.

THE COMMISSIONER: We should look at what the trend does.

MR. BALLANTYNE: It has got to be faced.

MR. BEAUREGARD: It is the same with the card men too.

MR. BALLANTYNE: What we look forward to in making a change like this is lower cost of production, lower selling price and we hope increased volume. If we get increased volume then we get increased machinery.

THE COMMISSIONER: But the whole thought, the necessary result and the object is to decrease the number of what you might call your skilled workers, isn't it?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Insofar as those who remain, the skilled workers who remain will earn more money than formerly.

MR. BALLANTYNE: Really what we are trying to do, we are trying to take a unit of the article that we

produce and press down --

MR. BEAUREGARD: Lower the cost.

MR. BALLANTYNE: Lower the cost, while at the same time we give the men who is making it more.

THE COMMISSIONER: Yes, I understand that, but you have less of those men.

MR. BALLANTYNE: Yes, until we increase our volume of business and can expand.

THE COMMISSIONER: Oh yes; in England the Right Honourable Thomas Shaw, who began life as a textile worker himself at a very young age and remained so until manhood, you know who he is -- he was minister, I think he was Minister of War in the Labour Government of Ramsay MacDonald. Now, he is general secretary of the Textile Federation, and he told me -- of course, they have not gone in for automatic machinery to the same extent in England as they have in the United States or even here, according to what he told me, but he said the workmen didn't object to it much because they found in the long run it didn't decrease employment. It increased the returns to the skilled labour but kept a lot of assistants working, but in the long run he said the workers didn't object to it. That may be in part because it has not been pushed along to the same extent. Anyhow, that was his opinion.

MR. BALLANTYNE: That is most interesting because that opinion is confirmed by the Webbs in their book, Industrial Democracy, Sydney and Beatrice Webb. He got a title of some sort; he is Lord somebody now.

THE COMMISSIONER: Oh, Sydney Webb.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: He and his wife both write. He is Lord--

SECRETARY WHITELEY: Passfield.

THE COMMISSIONER: Passfield; he went into the House of Lords at the time of the formation of the first Labour Government. They had to have some members from the House of Lords. That is when he became a member of the House of Lords. Of course, you would not agree with all that Thomas Shaw told me. He said he did not think our Canadian industry needed any protection at all. He said you have the whole market there, you are at home and you have the advantage of the distance situation, and he said they ought to be able to compete with English goods without any protection. I am telling you that to show that all he said was not equally agreeable to your own views.

MR. BALLANTYNE: No, naturally, but it is most interesting to hear what he has to say.

MR. BEAUREGARD: I may say on this subject on page 18 of my brief I call attention to this, particularly to this, that in September, 1930 employers asked for an upward revision of the tariff and promised to take on more hands. Having obtained what they wanted they imported the equipment required for mechanization and this, during a time of depression. I should insist on that because this has been done during years in which they were asked to

employ more men, and through this process of mechanization undertaken right at that time a great number of men and women were dismissed on account of this process of mechanization.

MR. BALLANTYNE: That may be the case, but insofar as the Dominion Textile Company is concerned I don't think any machinery was imported or new machinery put in except at Sherbrooke after the mill was acquired there when they were changing over.

MR. BEAUREGARD: And Montreal Cottons.

MR. BALLANTYNE: No, I think Montreal Cottons, there machinery was all there.

MR. GORDON: There were new spinning frames put in.

MR. BEAUREGARD: Montreal Cottons changed over heavily into mechanized --

MR. GORDON: Old machines being replaced by new ones of the same type.

MR. BEAUREGARD: I have here exhibit 325 filed by Montreal Cottons in which it is shown that in the year 1929 they paid to the weavers $410,000 as against $202,000 in 1935. They have paid in 1935 less than half of what they paid in 1929. The average payroll for the weavers was in 1929 $15,800 and it was $7,790 in 1935. The number of employees was 514, I mean weavers, in 1929 and there were 263 in 1935, which is called by everybody a recovery year. This shows the transforming of the industry during that period done by Montreal Cottons who reduced by more than half apparently the amount they paid.

The average wage per operative per fortnight of 110 hours was $30.75 in 1929 and it is $29.60 in 1935.

MR. GORDON: You are not dealing with the weavers there. That is the average as over the whole mill. What was the average of the weavers?

MR. BEAUREGARD: That is supposed to be weavers only.

MR. GORDON: Are you sure?

MR. BEAUREGARD: Well, that is your own exhibit and it refers only to weavers, so it would show the operatives were paid a little less, and they received far less than half of what they received in 1929. It is shown that the company dispensed with more than half of its weaver staff. This is to me one of the effects of mechanization during a time of depression. That is why I point out in page 18 that the employers have started transforming their mills at a time when they were supposed to employ more persons, not less.

MR. BAILANTYNE: I have just one remark to make with regard to that exhibit about weavers showing the difference in the numbers of the weavers and the difference in the amount paid to them. The comparison does not include the number of the extra secondary hands who were added, and it does not include, of course, the wages paid to them.

Now, my lord, here is another subject in Mr. Beauregard's brief that I want to deal with at some length, and that is at pages 23 -- and at page 187[illegible]

he deals with the worker --

THE COMMISSIONER: What page?

MR.BALLANTYNE: 187, my lord; he deals with the worker and hygiene at page 23, and at page 187 and following with the conditions of work and hygiene, and he claims that conditions are very bad with harmful effects upon the health of the worker leading to colds, bronchitis, rheumatism, etc. Now, I want to make clear that in my submission neither of these two sections, or statements made in either, apply in any way to the Dominion Textile Company and to the Montreal Cottons Limited. Neither of the two experts who testified on the conditions in the mills, that is, Mr. Fessenden of the Commission and Mr. Loper for the Textile Company, had any fault to find with the conditions there, labour conditions.

THE COMMISSIONER: Excepting this, that it is necessary, it seems to be accepted as necessary to cotton manufacturing that you have to have high temperature with a great deal of humidity and the air filled with lint.

MR. BALLANTYNE: Yes, but--

THE COMMISSIONER: I saw it myself.

MR. BALLANTYNE: Yes, and, of course, that is necessary.

THE COMMISSIONER: I say you must always remember that.

MR. BALLANTYNE: Yes, and I am going to speak about those particular factors. Mr. Loper said that the conditions in the mills of which he had

knowledge were above the average while Mr. Fessenden was far from critical.

THE COMMISSIONER: Who was the first one?

MR. BALLANTYNE: Mr. Loper. Now, during the last twn years two of the largest mills of the company, Merchants and Montmorency, were equipped with air washing and circulating systems, and a similar system was included in the rehabilitation of the mills of the Montreal Cotton Company at Valleyfield from 1930 to 1932. Now, here is the point. In all cotton mills carding is the most dusty and linty department of the mill. A very large proportion of all cards in the Dominion Textile Company Limited are equipped with Sacco-Lowell vaccuum card stripping system, and while this system is expensive it helps to reduce to a minimum the amount of dust generated in the card room, and I am instructed that in this respect we are very decidedly ahead of most, if not all, of the other cotton companies.

Now, I think there is a certain amount of misconception regarding humidity conditions in the mill. As a matter of fact, I am not so sure that the humidity in the mill does not make the condition there more healthful than it would -- it is not extreme -- than it would without it.

THE COMMISSIONER: I do not see how you can argue that.

MR. BALLANTYNE: We are now attempting, a great many individual persons are attempting to put in their own homes a system which will keep humidity

in the air.

THE COMMISSIONER: Yes, but too much humidity is a bad thing.

MR. BALLANTYNE: Of course, too much humidity is bad, but I don't think there has been anything like too much humidity. The humidity maintained in most of the departments is through the use of water in conjunction with compressed air, and is not by using steam. The ordinary humidity is below 65% humidity and only in the weave room is there any attempt to bring the humidity up to above 75 or 77%.

THE COMMISSIONER: In the weave room.

MR. BALLANTYNE: Yes, in the weave room it has got to be higher, my lord. I have here a humidification report in the various departments of the spinning room at Hochelaga, and just looking through this -- the period covers one week --

MR. BEAUREGARD: Is that the weaving room?

MR. BALLANTYNE: No, spinning room, card room and spinning room. In thex card room there does not appear to be anything over 60% and most of the humidity reports are in the 50's. In the spinning department the highest degree of humidity appears to be 71 but the majority of the reports appear to be around 47, 48 and the 50's.

THE COMMISSIONER: Is there anything there to tell us what the normal degree of humidity would be?

MR. BALLANTYNE: What is the comfortable degree?

MR. GORDON: My lord, I think in winter time

a room like this, unless it is humidified, on a dry day will go down to about 25. I think the attempt in this humidity system in houses is to bring it up to at least 45, somewhere between 45 and 60 is comfortable.

THE COMMISSIONER: The big advantage they have in England is they have all the humidity they want there.

MR. BEAUREGARD: Sometimes too much.

MR. BALLANTYNE: Even in the two weave rooms here I do not see any very high degrees of humidity. There is one high reading of 84 at 10.30 on one day, but most of the readings seem to be about 70 to 75 degrees of humidity, and similarly with the others; the others, of course, are lower, the card rooms and the spinning rooms.

Now, I wish to deal with this question of health of the mill worker and whether the work predisposes him to certain types of lung infection, rheumatism and so on, as Mr. Beauregard has mentioned.

As a matter of fact --

MR. BEAUREGARD: I have mentioned the sources too, if you would allow me. I have said, I may say to some extent I have borrowed from, as I say, the International Labour Bureau of Geneva. They have dealt with all these things and they have said what was the proper thing to do.

MR. BALLANTYNE: Now, here, as a matter of fact, some years ago, in 1933, the Department of Health and Preventive Medicine at McGill, the Canadian Tuberculosis Association and the Provincial Bureau of Health, were making an investigation into industrial

conditions in Montreal, and they asked the Dominion Textile Company for permission to examine their employees in order to ascertain what percentage of them were suffering from tuberculosis, or arrested tuberculosis, and a report was made by that committee, and I think it is a most interesting report which I can sum up at once for you. This committee examined in Montreal 3,865 workers. Of these workers 950 were employed by the Dominion Textile Company. Now, they found that for all industries there were 27 cases of active tuberculosis, or .70 of one per cent. For the Dominion Textile Company Limited there were three cases of active tuberculosis out of 950 people examined, or .32 of one per cent.

MR. BEAUREGARD: You agree with me it was too much, active cases of tuberculosis in a hall, that is the cause of danger for everybody.

MR. BALLANTYNE: These people were imediately treated. For arrested tuberculosis they found 53 cases in the whole industry, the industrial group they examined, or 1.4 per cent, and for the Dominion Textile Company they found 7 cases of arrested tuberculosis out of 950 or .75 per cent.

THE COMMISSIONER: Arrested tuberculosis; what does that mean? The disease has ceased to grow?

MR. BALLANTYNE: Yes, has ceased to develop. There is a scar left which shows that the person has had it. So that the effect of this examination is that for active tuberculosis the record of the Dominion Textile Company is less than 50% of the average

of all industries. In the second case, arrested tuberculosis, it is just slightly over 50% of the average for all industries. So that on that examination alone I find it difficult to see that the textile industry, more than any other industry, is likely to bring on this type of illness. In fact, its record is very much better than the average of the other industries examined.

Now, a complaint is made too in the brief, and which I submit does not apply to the Dominion Textile Company, as to the other services which are supplied to the employee. Now, with regard to dining room facilities at two of the mills, Merchants and Montmorency, regular dining rooms with cafeteria service are provided.

MR. BEAUREGARD: That is a fresh comfort.

MR. MALLANTYNE: At all mills facilities are provided for employees' lunches except at Sherbrooke. There is nothing provided at Sherbrooke, and my recollection is that most of the witnesses called here said, if not all, said they went home each day for lunch. That is understandable because the cottages belonging to the company, if your lordship can remember, are just on the opposite side of the street from the mill. At the other mills there are hot plates where employees' lunches can be kept hot, and there is also hot water available for the use of the employees in making tea, etc., if they wish to do so.

Now, there is one statement by Mr. Beauregard

to which I do really take very serious objection insofar as the Dominion Textile Company is concerned, and that is the statement that the employees all eat on the spot, hastily, standing, or crowded in the passageways; They resume work standing and hurriedly for the few hours remaining before returning home. That is not correct.

THE COMMISSIONER: What page of the brief do you refer to?

MR. BALLANTYNE: Page 189.

THE COMMISSIONER: What do you say about that?

MR. BALLANTYNE: I say that, in my opinion, that does not apply at all to the Dominion Textile Company nor to the Montreal Cottons.

MR. BEAUREGARD: I say the large number hastily eat a lunch which has remained several hours on the corner of the machine.

MR. BALLANTYNE: Thaty I don't think is correct at all with regard to any of the mills of the Dominion Textile Company Limited.

MR. BEAUREGARD: I think it applies to Montmorency.

MR. BALLANTYNE: Not at all; at Montmorency, if Mr. Beauregard can remember, the lunches are generally brought to the employees there, and they eat their lunch where they want to eat it in their free hour, and that applies to all mills, and there are very few witnesses during the course of the inquiry who said that they were obliged to eat hastily, standing and in crowded passageways. It is absolutely wrong because--

THE COMMISSIONER: Do you mean to say that where

we were told that, where certain individuals did say that, that these people were not telling the truth?

MR. BALLANTYNE: They may have been telling the truth, but I am talking of the --

THE COMMISSIONER: If they were you see it would then apply to all of their companions the same as themselves.

MR. BALLANTYNE: All hour workers to begin with, they obviously stop at twelve.

MR. BEAUREGARD: But they don't.

MR. BALLANTYNE: They do. Why should they go on? They are not paid for working; they are not going to go on. Most of the girls -- in fact, from my recollection of the evidence I feel fairly confident of this statement that of all the women heard as witnesses during the inquiry 99% of them either went home for lunch or stopped exactly at twelve o'clock. There were some witnesses who said that they worked on either through part or most of the lunch hour. Now, that might happen. Take the case of slashers as one instance where the machinery is not stopped. The slasher is a great big machine in which a big roll of warp yarn is put, and it goes through over rollers and through some starch. I don't know whether your lordship remembers that particular machine, but it is run without stopping throughout the working day. We have had slasher tenders who have said they have eaten while sitting beside the machine, and that is the case, but in the vast majority of cases the machines stop at twelve and are not started until a few minutes

before one, and I think it is most unfair and I think this kind of statement is definitely harmful.

MR. BEAUREGARD: I will bring you that in reply. I will refer you to the evidence in reply. I think you will find a great many cases in which the employees instead of spending their hour of dinner time outside they come back to work after twenty minutes or half an hour to resume work, and they have eaten their lunch right in the place and some of them were not even allowed to stop to eat during lunch hour, to eat their lunch.

MR. BALLANTYNE: I don't think that is the case. I think there is no doubt about it that whatever some of these witnesses may have said there is no possible doubt that the vast majority of the workers do take their full time, and there is no point to the company wanting them to eat where their particular machine is, or to stand in a corridor between a row of machines. I don't know why they do it. They do it, but there has been the experience at the Montreal Cotton mill at Valleyfield where there are two dining rooms and they are hardly ever used by anybody. There is the experience at Montmorency. There is no point, there is no object in the company trying to force these people to eat beside their work. They do do it, some of them, but that is not because they are forced to do it. It is because for some reason or other they prefer to do it.

THE COMMISSIONER: Have you ever considered making them get out of their work rooms in those hours?

MR. BALLANTYNE: I don't think so.

THE COMMISSIONER: In that case there could not

be any complaint.

MR. BALLANTYNE: No. This particular case that I quoted to your lordship yesterday of Montmorency is an illustration of what I am trying to say. They have been given extra facilities which they do not want to use.

MR. BEAUREGARD: Your point is you do not force them to do so, but they do so.

MR. BALLANTYNE: Yes, they do so.

MR. BEAUREGARD: But at Montmorency it is a new hall.

MR. BALLANTYNE: Yes.

MR. BEAUREGARD: It is brand new.

MR. BALLANTYNE: Yes, like La Salle Beauregard.

THE COMMISSIONER: I don't know whether this is the same point but I remember in some cases they said they did not want to leave their machines because they got blamed for any breaks that occurred while they were away.

MR. BALLANTYNE: Yes, that was in connection with the weavers, the automatic machines being allowed to go on during lunch hour subject only to the supervision of the second hand, or something like that.

THE COMMISSIONER: What about that?

MR. BALLANTYNE: I think we have had that question explained several times, your lordship, that if a weaver comes back and finds that a break has occurred in the work during her absence she calls the second hand and he certifies to the fact that that break has

occurred, and then when the cloth gets to the inspection room there is no blame placed upon the weaver.

MR. BEAUREGARD: You see there the trouble it is to get evidence as to the origin of the break and then to have to appear before some court to explain what it is.

MR. BALLANTYNE: There is a section hand for each section of looms. I am explaining myself badly, too. If it is simply a breaking of the thread during the lunch hour then the machine simply stops. I mean it is in the same way it would stop if the weaver were there, and when she comes back she does whatever she does to repair that thread. If the machine does not stop because it is wrongly adjusted then that is the time when she has to get the second hand there.

THE COMMISSIONER: There were some complaints about that, that they dare not leave their machines for that reason, that they would have to suffer in the long run if anything occurred while they were away. There is no doubt about that. Some testified to that. Whether it has to do with this matter of the lunch hour or not is not clear in my mind.

MR. BALLANTYNE: Yes, that was their testimony, and the looms had run on during lunch hour.

THE COMMISSIONER: How do you get around that? These people must consider every cent that they earn that they might lose.

MR. BALLANTYNE: Well, the answer is simply where the looms do go on running they are on simple styles.

THE COMMISSIONER: They are what?

MR. BALLANTYNE: On simple styles. They might obviously be left running --

THE COMMISSIONER: You said a moment ago they all stopped except the slashers.

MR. BALLANTYNE: Yes, that is right, isn't it?

MR. BEAUREGARD: You mean you cannot stop the slasher.

MR. GORDON: Yes.

MR. BEAUREGARD: You cannot stop the slasher but you can stop the other machines.

MR. BALLANTYNE: I do not mean that the men working on the slasher continue right through, but what happens there is --

THE COMMISSIONER: No, that is not the point; you said all the rest of the machinery stops except the slashers.

MR. BALLANTYNE: It does stop, doesn't it?

MR. BEAUREGARD: No, it has to go.

THE COMMISSIONER: If it did stop you would not have these complaints. There must be something inaccurate there.

MR. GORDON: Perhaps I might make that clear. In the weave room we have a policy on certain types of looms running on certain plain, or as Mr. Ballantyne said "simple" cloths, to let them run through the noon hour. It adds to the production and adds to the pay of the weaver, too. They do run unattended to a great extent. Our policy is to let them run to about 12.30 and then shut them off because if we do not

by the time the weaver got back at one o'clock there would be so many looms stopped through breakages it would take her a long time to start them up again, and we find that the economic time to shut them off is about 12.30.

THE COMMISSIONER: When they stop of course there cannot be any complaint. The complaint must be where the machine keeps on running.

MR. GORDON: It is when they run between 12 and 12.30 when they run without stopping when they should stop that makes the bad breaks. That is where the weaver has to get the second hand to sign on the cloth. It is her job to show it to the second hand when she starts up that loom. He signs up against it and they know when it goes to the cloth room it was not her fault. That is the theory of the thing. I don't know whether it always works out. We heard these weavers say they were blamed for it. Perhaps they were. None of these things are perfect. In some of the departments, however, some of the hands actually stay in and run their machines. I have seen that at Montmorency in connection with fly frames. The tender will sit at the end of the two frames and keep them running.

THE COMMISSIONER: While she is eating?

MR. GORDON: Yes, she will eat her lunch there and keep the frames running. We do not ask her to , but they very often do, but in the weave room we insist that these certain looms be left running when

they go out. It is their option to stay in or go out, but that would only cover about 25% of our total looms that we attempt to do that with, and it does add to the production and to the weaver's pay.

THE COMMISSIONER: Well, we will adjourn for a few minutes.

-- The Commission adjourned for a short recess.

(Page 18180 follows)

-- After recess.

MR. BALLANTYNE: My lord, in view of the short discussion which we had about the humidity in the mills I would like, with your permission and the permission of Mr. Beauregard, to put in these reports on humidity in the various mills. One set covers the first week in July ---

THE COMMISSIONER: Who made up these reports?

MR. BALLANTYNE: These reports are made up in all the Departments.

THE COMMISSIONER: They are your own reports?

MR. BALLANTYNE: Yes, my lord. These were taken out of the files and sent up here. One set covers the first week in July, 1936, which the McGill Observatory says was the hottest week in that summer. The other set covers the first week ---

THE COMMISSIONER: How many sets are there?

MR. BALLANTYNE: There are two sets, one covers July and one covers February.

THE COMMISSIONER: We will put them in together as one exhibit.

MR. BALLANTYNE: The second part of this Exhibit covers the first week in February of 1937.

EXHIBIT 1364: Reports on temperature and humidity covering first week of July, 1936, and first week February, 1937.

SECRETARY WHITELEY: What mill?

MR? BALLANTYNE: All the mills and all the Departments in the mill.

My lord, there is only one other general section

in Mr. Beauregard's Brief before he comes to the evidence and that is the one in which he speaks of the employer and his responsibility in the state.

THE COMMISSIONER: What page?

MR. BALLANTYNE: Starts at page 28, my lord, and the effect upon labour conditions of the effect again of the anonymity of the real owner, the shareholder.

Now, there are only two very short things that I want to say about this. I think, first of all, that management, which is the point of contact between the owner and the employees, realises very clearly its position of responsibility in the state. I think the powers which Mr. Beauregard suggests that the employer has are very much like Mark Twain's death, quite exaggerated. It would be wrong for business and finance to have the powers which he suggests they have and which I suggest that they have not.

MR. BEAUREGARD: But that they should have.

MR. BALLANTYNE: No, they should not have. I think it is a statement which has often been made-whether it ever had anybasis in the past I don't know, but I am quite convinced now there is no Canadian Government which is going to make any concession to any business leader or financial leader which is an improper one.

MR. BEAUREGARD: What is the statement you are referring to in the paragraph?

MR. BALLANTYNE: This whole first section, the powers of the employer and what he gets from the

Government and bothering it for legislation in his own favour. Now, the really important thing I think in this Section is that part in which Mr. Beauregard suggests that the anonymity of the real owner of the business is used by the management as an excuse of not being able to grant to the worker those things for which the worker asks.

THE COMMISSIONER: Well, it is a repetition of the old saying, I suppose, that corporations have no souls or bodies that you can kick.

MR. BALLANTYNE: Yes. I think the whole of economic history shows that the worker now in a modern corporation, of which the shareholders do not take a direct part in the management of the company, is much better off than he was in the days when an industry or a factory was owned by an individual, and I think the reason for that is quite clear. In the 19th Century when very large businesses were built up under individual ownership the owner was responsible only to himself. If he thought that it was worth his while in dollars and cents or for any reason to refuse a demand which was made upon him by his workers he was perfectly at liberty to do so. Now, under present conditions we have the case of management which is, as a rule, in full control of the business, but to retain that control and to retain its position, its job and its salary, it must prevent at all costs any labour trouble which might result in a strike which in turn would result in a loss of earnings to the Company and a loss of earnings to

the anonymous owner. I mean, the very existence of management job depends not only upon the management producing a profit for his owners but it also depends upon his preventing a loss of profit through unhappy or unsatisfactory relationship with the employees. Now, there is one other thing two, which I think makes the condition of the worker better under this present modern system of corporations and that is, of course, the growth of a social consciousness which is felt by the wide-spread shareholders of any corporation and which is likely to make its mass opinion felt and to influence the management in any extreme case that comes up, and I submit that any study of economic history will show what I have said - that the condition of the worker employed by a large corporation now is immensely superior to what it was when business was controlled by individual ownership.

Now, the next point I wish to mention: Mr. Beauregard mentions a number of factors which are ignored in fixing wages and at page 48 he says the cost of living is one of the things which is ignored both by the employer and by the employee. I have this to say in this connection: The cost of living as a factor has been ignored by the employer over the last five or six years. I mean, if he had attempted to adjust his wages or to keep his wages in the same relationship in which they were previously to the cost of living during the last five or six years, of course there would have been a reduction

in wages because there was a very substantial fall in the cost of living, but I think that where the cost of living does become a most important factor is when there is some violent fluctuations in it upward, and the last case that we had of that of course was during the war years when the cost of living rose very steeply. Now, during those years I find on reading the Minutes of the Annual General Meeting of Shereholders of the Company this reference in 1918. The report to the shareholders reads in part as follows:

> "Manufacturing conditions continue on a par with those existing last year and costs of manufacturing have continued to mount. Wages have been advanced from time to time and have at least kept pace with the increased cost of living....."

THE COMMISSIONER: What date was that?

MR. BALLANTYNE: 1918, my lord. Now, that was at least one occasion when there was a violent fluctuation upward where the cost of living was evidently something which the management had in mind in dealing with the wages.

MR. BEAUREGARD: Would you not rather attribute that to the scarcity of labour in that year?

MR. BALLANTYNE: I think my friend has a capacity greater than mine for going back behind what is apparently a good thing and finding an evil motive behind it. As far as I am concerned I am prepared to accept this statement.

After the war of course there was a fluctuation of the cost of living downward. Now, in May 30th, 1921 there was a shareholders' meeting held and the Minutes show that the Chairman discussed the situation as it existed at that time and pointed out that extensive reductions in wages had been made in the United States. He also pointed out that in England wages had not been reduced up to that time resulting in a greatmany mills in England running on short time. He then goes on to say:

> "We will have to face the reduction in wages some of these days but we have not thought it wise to do so to any great extent as yet because the cost of living amongst our people we do not think has been reduced very much yet."

Now, in these two particular cases of a violent upward and a violent downward swing in the cost of living on both of these occasions evidently has been a factor which was considered by the Management.

Now, on page 52 of his Brief Mr. Beauregard mentioned another ignored factor and says that one has hardly heard spoken of medical care, unemployment insurance, old-age pension, sickness and death benefits, etc. as another element in the make-up of the wages paid. Now, I have briefly mentioned in our own factum what the services were that were rendered by the company to its employees. I would like just to go into a little more detail now and instead of writing it out myself, this part of it, Mr. Gordon gave me an

article which described the situation and which expresses it better than perhaps I would have been able to do and it was published in "Industrial Canada, June, 1936," and article which is headed "Welfare Plans of Canadian Companies," and then the next is "Dominion Textile Company Limited have introduced pension plan, operate a group sickness and non-occupational accident insurance plan, and promote first aid," and then this article, which is based on information of course which was given him by the Company, I want to read because I think it expresses better than I would be able to and more fully what the Company does in this connection:

"The financial hazards of old age, sickness and accident have received particular attention from officials of the Dominion Textile Company Limited, in making plans for the welfare of their employees. Since September, 1923, they had in forde a pension plan, providing a retiring allowance for employees of long service. In 1933 they established a co-operative group sickness and non-occupational accident insurance plan. Since 1924 they have conducted classes in first aid for mill employees through the St. John Ambulance Association.

The pensiom plan applies to all full-time employees of the company. It is administered by a committee consisting of the president, General Manager, Secretary-Treasurer and

Assistant Secretary-Treasurer of the Company, this committee being given wide discretion under the rules, so that strict application of the rules will not cause hardship to any deserving case.

The retiring age of all officers and employees is fixed at 65 years. The Pension Committee may, however, retain any officer or employee in service for any further period; but it is provided that no employee who has reached the age of 65 without having been 15 years continuously in the company's service shall be eligible for pension allowance.

The rate of pension payable to employees is one per cent for each year of service on average annual wages or remuneration during the ten years immediately preceding retirement. Thus, for an employee of 40 years service who had received an average wage of $600 per annum for the last ten years, the pension allowance would be 40 per cent of $600, or $240 per annum. The rules provide that "absence on leave, suspension or discharge, followed by reinstatement within three months, or temporary lay-off on account of reduction of force, when unattended by other employment, will not be considered as a break of continuity of service.'

At the discretion of the Pension Committee and with the approval of the Board of Directors any employee who has become totally disabled

as a result of sickness or injury, compensation for which is not otherwise provided, and whose term of employment has been ten years or more, may be retired from active service and granted a pension."

MR. BEAUREGARD: Did not we see all this in Exhibit 1237, Rules and Regulations as to Pension Fund?

MR. BALLANTYNE: Yes, this is what the article is based on:

"Such a pension is granted for a period determined by the Committee, and may be discontinued if during the period the employee recovers sufficiently to resume active service. In that event his period of absence on disability pension is considered as leave of absence and does not count against his continuity of service when he becomes eligible for retirement.

Any employee after reaching the age of 60 years, with not less than 20 years continuous service, who claims to be unfitted by reason of permanent physical or mental disability from following his usual or any other suitable employment in the Company's service, is retired on pension if the disability is certified by the Company's physician."

THE COMMISSIONER: Does it give any idea there or anywhere how much those pensions amount to - how it is arrived at?

MR. BALLANTYNE: How the amount paid to the individual is arrived at?

THE COMMISSIONER: Yes.

MR. BALLANTYNE: Yes, is one-per cent for each year of service of the average amount earned during the last ten years of service.

"Pensions are paid monthly to the pensioner from the date of his retirement to his death. If a male employee is survived by a widow, or if either a male or a female employee is survived by minor children, the pension is continued for three months after death and is payable to the widow in the first instance and to the legal representative of the minor children in the second instance, to be used in their interest.

The Company's pension plan is carried entirely by the Company. The group sickness and non-occupational accident insurance plan is co-operative, the company contributing a little more than 40 per cent of its cost and the employees a little under 60 per cent. It was established in Sherbrooke in September 1933, and more than 65 per cent of the employees subscribed to the original offer. The plan was most acceptable to the employees, since it offered them on a very economical basis, and without medical examination, an opportunity of protecting themselves and their families against any lost time due to temporary disability.

For convenience the employees were divided into various salary classifications and benefits

under the plan amount to approximately two-thirds of their average earnings - the minimum amount of benefit being $5 and the maximum $30 a week. Benefits are payable to employees disabled by accidents occurring when they are not at work or by sickness. Benefits payable begin on the eighth day of disability and continue during the period of disability for a maximum of 13 weeks.

When the Company opened their rayon plant in Sherbrooke last summer, they decided to offer all employees of the new department an opportunity of subscribing to the same plan. As a result, there are now almost 900 employees covered by the plan, or practically 100 per cent of the Company's workers in Sherbrooke.

A feature of the plan is the free visiting nursing service that is available to all employees. When an employee is disabled he merely has to advise the Company's office and a visiting nurse is sent to his home. Since the plan has been in operation, no fewer than 250 nursing visits have been made on the employees' behalf without any cost to them.

Another feature of the plan is the regular distribution of health literature, in both English and French, and more than 8,000 such booklets have been given out. Posters dealing with health and safety are placed in conspicuous positions throughout the mill.

Since the inception of the plan ~~and~~ almost

200 claims totalling more than $10,000 have been paid - the average duration of a claim being about five weeks. The cost to the Company in enabling their employees to obtain the benefits of this low cost temporary disability protection has been something more than $2,500. Disabled employees have received to date under the plan over $2,000 more than all employees have actually contributed.

Early last year an independent investigator was engaged to make a complete survey of the plant with a view to ascertaining the working conditions as regards health hazards. This expert's report reads in part: "I noted exceedingly good housekeeping, clean toilets, and well-lighted work rooms. The machinery is new and of the latest type - no indication of the exitence of a possible health hazard was detected - in fact the mill is in better condition than most mills in Canada or the United States."

In November, 1924, a class was organized for instruction of mill help in first aid, using the course of the St. John Ambulance Association. The Company now have classes meeting regularly at each of their plants, separate classes being conducted for males and females. Since organization there have been 84 separate classes, or upwards of 1,500 individual sessions.

To keep the students proficient, annual examinations are held by the St. John Ambulance

Association, the examiner being a medical doctor, and 1,040 employees have passed these examinations and hold the official Association awards. Teams from Dominion Textile plants compete annually in the Association's competitions, their Merchants Branch team being at present the holders of the Quebec Provincial Championship Shield. Annual competitions are also conducted within the Company, a trophy being awarded in each of two divisions, namely mills in Montreal and mills outside of Montreal. Members of the two winning teams also receive individual awards.

G. Blair Gordon....."

That is the essential outline.

THE COMMISSIONER: You better read it, Mr. Gordon's modesty will survive.

MR. BALLANTYNE: "G. Blair Gordon, Managing Director of the Dominion Textile Co. Limited, states: 'This first aid training has proved to be of immeasurable value to the students in private and home life, as well as to their fellow workmen in the mills. Loss of time from work due to neglecting to have minor cuts, etc. attended to promptly, which so often resulted in blood poisoning developing, has been reduced to a minimum as a result of educating all employees to report to first aid stations for treatment immediately in all cases of minor accidents. In the more serious accidents

prompt first aid attention enables the patient to be turned over to the doctor with the danger of furtherinjury and complications which may occur in the interval between the time of the accident and the arrival of medical aid reduced to a minimum.'"

And then follows a completely incomprehensible paragraph at the last which I won't read, which has nothing to do with the subject.

MR. BEAUREGARD: Is that out of "Industrial Canada" June 30th?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: We will adjourn now.

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-- The Commission adjourned at 12.30 P.M. to resume at 2.30 P.M.

-- On Resuming at 2.30 p.m.

MR. BALLANTYNE: My learned friend is not here.

THE COMMISSIONER: Mr. Beauregard is downstairs. You can go on.

MR. BALLANTYNE: The next section of Mr. Beauregard's brief which I wanted to discuss is that which begins on page 61 and is headed, "The market price in conjunction with piece work wages." Mr. Beauregard says here he is dealing with one of the principal complaints of the workers. He says that piece work wages as presently carried out are only a means of causing the worker to do the greatest possible amount of work without a corresponding scale of remuneration. He mentions three systems of wages; one, a system which sees in the average salary sufficient to assure the existence of the worker and of his family. The theory of a minimum salary is related to this, as well as the theory of movable scales of wages acting in conjunction with the cost of living. The next system he describes is one in which the wages are calculated according to the results of the operations, whether they follow the curve of the selling price or whether they set aside to the workers a part of the profits. The last system that he mentions takes cognizance of the production of the workers, and he says, "In the most simple system this conception leads to wages by piece work, while hourly wages are independent of the quantity produced."

(At this point Mr. Beauregard arrived.)

He then goes on to discuss the modern theories of wages which take into account as a fundamental element the productivity of the worker and which find in high wages a stimulus to production which permits it to reduce the unitary cost of production with mass production. He describes the Taylor system, which is based upon high premiums for quantities produced above the task carried out by the mot expert worker in the minimum time. That is under the Taylor system they take a piece of work, call it the very best work in the shortest time, and fix that as the standard upon which the piece work system is to be based. Mr. Beauregard also refers to the Gantt system, which I believe to be a modification of the Taylor system. Under the Gantt system premiumsare given where the work done by a worker exceeds two-thirds of the work done by the most expert worker. That is, they find what the very best man can do and take two-thirds of that, and they say, that is the standard on which we base --

THE COMMISSIONER: Yes: "If you do more, than that you get a bonus".

MR. BALLANTYNE: Yes, if you pass this point.

MR. BEAUREGARD: But under the Gantt system the premium becomes degressive in order to prevent overwork.

THE COMMISSIONER: That is, the higher you go above that standard the premiums do increase but by a less progression.

MR. BALLANTYNE: Yes, and I think that is the

important modification which Gantt made upon the system originally devised by Taylor. Mr. Beauregard goes on to say --

THE COMMISSIONER: In so far as these two systems are concerned where are they in force?

MR. BALLANTYNE: They are in force in the United States. Taylor was employed by the Midvale Steel Company back in the eighties or nineties.

MR. GORDON: 1895.

MR. BALLANTYNE: And when he was there he devised this system. He rearranged the machinery and the tools to the best advantage. He then found out what his best man could do. As a matter of fact I describe it a little further on. Perhaps I would make it clearer if I developed it then.

THE COMMISSIONER: That is all right.

MR. BALLANTYNE: Mr. Beauregard says that the Taylor system is a part of a scientific organization of work, and states that the standard of work is based upon scientific studies. He contrasts this system with past work systems of ~~impe~~ empirical measurement of the value of work and of a fixation of the remuneration by an uncertain approximation based upon a more or less exact appreciation of the time required. I think Mr. Beauregard's conclusion is this, that the Canadian textile manufacturer has adopted a new method of scientific organization of work without adding to it the high wages or the premiums paid for larger production. I think Mr. Beauregard feelsthat we have adopted the Taylor system

without giving the benefits which Mr. Beauregard thinks exist in that system to the worker. That is correct, is it not?

MR. BEAUREGARD: Surely.

MR. BALLANTYNE: Mr.Beauregard says that Taylorism starts from the bottom and increases with the efficiency and the premium, while here in this country our tendency is to start from the top with an average salary and to go down or to remain at that level in spite of the varying degrees of efficiency. I think that is the argument that Mr. Beauregard puts up with regard to our past work system.

THE COMMISSIONER: That is, he would say that your system is a false Taylorism.

MR. BALLANTYNE: Yes. Now I am very anxious to discuss that particular thing because I think it is important that we should do so. There is a certain confusion between a method of payment and what has been spoken of in the evidence as a more rational application of labour in the mills than was the common practice inthe industry prior to say 1922 or 1923. Mr. Gordon in his evidence stated that over the period approximately between 1920 and 1930, and it might be more accurate to say particularly in the period from 1924 to 1928, the Dominion Textile Company had concentrated particularly in applying its labour in a more rational way to the machinery which was being used at that time, and which had been used for some time past. That particular change which occurred then was simply one of making more intelligent use

of the automatic features of the machine and using the labour or laying out the job in such a way that greater recognition could be given to those automatic features, both to the advantage of the company and of its employees. That, I think, is something which has been going on all the time during the history of mechanical improvements. When an improvement is made or a new machine is invented which enables a worker to either look after more machines or to produce more, then in order to take advantage of that improvement or new invention some rearrangement of the work is necessary, and there is no doubt that this has taken place in the textile industry ever since the development of the very earliest machinery. That I do not think in itself has anything at all to do with the question of payment by piece work rates. It is simply a continuation of a natural development which has gone on over a long period of years. As far as the piece work system of the Dominion Textile Company is concerned, and I think this is true of the piece work system of the other Canadian mills and of the American mills, their piece work system is taken from that which was invented and developed in the Lancashire cotton industry during the nineteenth century. Our piece work system is very similar to those systems which in England are known as the Oldham or the Bolton list. I think we can show that the Taylor system and the Gantt system are not applicable to a type of industry such as the textile industry. The Taylor system was developed, as I said, in the Midvale Steel

Company, and Taylor himself says, in a footnote to a published address which is contained in the printing of addresses made at meetings of the American Society of Mechanical Engineers in 1891, 1893 and 1895, that in spite of the fact that his knowledge of the speed attained in the manufacture of textile goods is very limited, a maximum output per man and machine is more nearly realized in this class of manufacture than in any other. He says, if this is the case the opportunity for use of the system does not exist to the same extent as in other trades. Now the real difference in the Taylor system is what I am coming to now, the Taylor system of piece work pay and our own, is this. The basic wage we talk about in this country is quite different from that of Taylor. Taylor describes his own system as follows:

> "Justice, however, not only demands for the workman an increased reward for a large day's work, but should compel him to suffer an appropriate loss in case the work falls out either in quantity or quality. It is clear that the differential rate satisfies automatically, as it were, the above conditions of properly graded rewards and deductions. Whenever the workman works for a day or even a shorter period at his maximum he receives under this system unusually high wages. That is one essential. But when he falls off either in quantity or quality from the high rate of efficiency, his pay falls

"below even the ordinary."

And he goes on in another paragraph:

" The limited differential rate should be fixed at a figure which will allow the workman to earn scarcely an ordinary day's pay when he falls off from his maximum, so as to give him every inducement to work hard and long."

The essential of the Taylor system and to a modified degree of the Gantt system is this differential, and it is intended to force all the men to work at the very highest possible speed and efficiency. If they succeed in doing that they get a good pay; if they do not sucdeed in doing that, then the differential works and they get a very small pay.

THE COMMISSIONER: It is a stiff differential.

MR. BALLANTYNE: It is a very stiff differential. To my mind in some ways it is an inhuman system of work. The natural result, and what Taylor says he hopes to get by it, is to force out of the mill all the people who are not very highly efficient and to retain in the mill only men who are capable of working at these very high rates of speed. Mr. Gordon brings to my attention another point, that a system such as this would be applicable only to where the working conditions are standard and where, if a fault occurred in the work, the responsibility would be due to the fault of the employee himself. That brings in another point. Under the Taylor system, unless everything can be arranged to give the employee the fullest opportunity for obtaining a premium, he gets

a very, very low wage.

MR. BEAUREGARD: You mean comparatively low, because I understand that the starting pointin Taylor is enough to live on. What you call the very low wage is enough to live on. The rest is the high premium which is an incentive to work harder.

MR. BALLANTYNE: Taylor himself --

MR. BEAUREGARD: But what he call low, at the start, is enough to live on.

MR. WHITELEY: The wage is described in the part you read already.

MR. BALLANTYNE: Yes. Here it is:

" The limited differential rate should be fixed at a figure which will allow the workmen to earn scarcely an ordinary day's pay when he falls off from his maximum possible, so as to give him every inducement to work hard and well."

THE COMMISSIONER: "Scarcely an ordinary day's pay."

MR. BALLANTYNE: "When he falls off from his maximum."

THE COMMISSIONER: "When he falls off from his maximum."? Maximum? This is his own language?

MR. BALLANTYNE: Yes, this is Taylor's own language.

THE COMMISSIONER: "When he falls off from the maximum." The word "maximum" means the highest of a certain stretch of effort.

MR. BALLANTYNE: If he falls off the very highest he is only to get scarcely an ordinary day's

pay.

THE COMMISSIONER: Then he drops with a bang down to the cellar, wherever that cellar is.

MR. BEAUREGARD: I have not the book before me, but I understand that what he calls the maximum is two-thirds.

MR. BALLANTYNE: That is Gantt.

MR. BEAUREGARD: But they have the same starting point.

THE COMMISSIONER: Two-thirds of anything cannot be called the maximum.

MR. BALLANTYNE: That is, two-thirds of the most efficient man.

THE COMMISSIONER: That would be the standard. I can understand that. But you cannot call that "the maximum" without using improper language.

MR. BEAUREGARD: Taylor would keep the premium going up as far as a man can go, but Gantt thought that a man might ruin himself by too large an incentive, so the premium, after having progressed for some time, then regresses. So it is to the man's interest to stop before he reaches one hundred per cent of his ability.

THE COMMISSIONER: It all depends whether that word "maximum" is properly used there. You have the word "maximum" which means the highest.

MR. BALLANTYNE: I think the word is correctly used, because Taylor's starting point -- I think he must be a hypothetical man -- is the very best worker doing his very best work in the very shortest time.

THE COMMISSIONER: And the maximum is something

is something which you cannot exceed.

MR. BALLANTYNE: I see your point. He should have used, instead of "maximum", probably some standard.

THE COMMISSIONER: He probably has some standard. Standard is a better word to use.

MR. BEAUREGARD: The premium would start from that maximum highest man.

MR. BALLANTYNE: Obviously, to my mind, the important point of distinction in Taylor and to a certain degree in Gantt is this, that the differential is very great. Unless the man earns the standard or better he drops very rapidly. If he earns the standard and above it he makes a correspondingly big increase in pay. Under our system we start off in a different way, and we start off in the same way as they do in England.

THE COMMISSIONER: Pardon me: did you say a while ago that Taylor said that his system was not applicable to the textile industry?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: He said that?

MR. BALLANTYNE: Yes.

MR. BEAUREGARD: He did not say so definitely: less applicable than in some other industries.

MR. BALLANTYNE: I think what he meant was this, that under conditions such as there are in a textile mill it would not be profitable to attempt to introduce his system, because there is not enough scope or the limits are not wide enough to allow the individual worker to suddenly shoot up to a very high point and make a very high premium. I mean that the

limit of fluctuation between the highest or the most efficient and the least efficient workers in the textile industry aremuch narrower than they are for mechanics working in the Midvale Steel Company. I think that is why he thought it could not apply to the textile industry.

THE COMMISSIONER: There is this consideration too, that there is less skilled labour in the textile industry than inthe steel business.

MR. BALLANTYNE: I should imagine that that would be the case.

THE COMMISSIONER: As soon as you talk about "mechanics" that means skilled people.

MR. BALLANTYNE: In contrast to that, our system and the system used in the American and Canadian mills is based upona basic weekly wage, and that system, I think, is clearly derived from England. The Dominion Textiles Company's basic wage is the amount which it wants a good worker to earn and which appears to be a proper reward for his or her particular type of work. If the worker earns more than the basic wage and if the job has been properly set in the first place and the same running factors still hold sway, then the worker is possessed of skill or a ility beyond the ordinary worker.

THE COMMISSIONER: Can this be said, broadly, that your ~~best~~ piece rates apply to skilled workers and hour rates to the others?

MR. BALLANTYNE: Yes, I think that is correct, my lord. Perhaps itnwill be better to say that piece

work is paid to those who are more directly related to production; I mean, doing work that is directly involved in production.

THE COMMISSIONER: Which is part of the manufacture?

MR. BALLANTYNE: Yes, I am dealing with the machinery.

THE COMMISSIONER: Yes.

MR. BEAUREGARD: You have a great number of persons not in that class who are paid for so-called piece work.

MR. BALLANTYNE: Yes, you mention that later on -- about the mills as an example which you give.

MR. BEAUREGARD: I should also say the battery hands and doffers. All these people are not producing, properly speaking, but they are on a productive basis.

MR. GORDON: The doffers take the bobbins off the machines, and it depends how quickly they take them off how soon the machines are started and production begins. That is where you lose your time.

MR. BALLANTYNE: I was starting to describe our own system, and saying that an essential feature of it is the basic wage which it is considered any particular type of worker should earn in a week. That is the same sort of thing that was fought for and obtained in England by the textile workers there. Some of the essential things which they got are embodied in these various lists. The first thing is the basic weekly wage which should be earned by, say, a weaver; and the second thing is the standard

week.

THE COMMISSIONER: Is the basic weekly wage calculated on a basis of supplying a living for a man?

MR. BALLANTYNE: In the case of the English basic weekly wages.

THE COMMISSIONER: That is what I am talking about.

MR. BALLANTYNE: Those were the results of the agreement between the textile unions --

THE COMMISSIONER: Of course they must have been, but that is not what I mean. Take in your province of Quebec. The minimum women's wage, you say, is based on a living cost in the city of Montreal.

MR. BALLANTYNE: Yes.

(Page 18204 follows)

THE COMMISSIONER: And another one outside the city of Montreal?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Is there anything like that behind the basic wage as fixed in England for textile workers? Is it related at all to their cost of living?

MR. BALLANTYNE: Well, I have been doing -- I referred to the Webbs book this morning, and if my recollection is correct they point out that certain basic wages, for instance, are 10% higher in London than they are outside London.

THE COMMISSIONER: For the same reason?

MR. BALLANTYNE: On the theory, I think, that rentals were the principal item which they said made a difference in the cost of living for the employee, so they do recognize a difference between districts.

THE COMMISSIONER: Then, there must be some relation to the cost of living.

MR. BALLANTYNE: So there must be some relation to the cost of living, though the Webbs felt, or stated in their book that they felt a lot of these differences between the various places outside of London, but in England, that it would be very hard to find any basis for the distinction that was made, although they say the difference did exist. Now, it would seem on these lists they do exactly as we do. They take the basic wage which is to be earned in a standard week and then they go and find out what operations have to be carried out by the machinery which the man is tending and they find out how much he can produce in

the standard week, and they then translate the units of his production into the amount previously fixed for the basic wage and that gives them there piece work rate in the same manner that we get our piece work rate here. The essential difference, of course, and it is only fair to point it out, is that the basic wage in England is the result of a bargain and in our case, even in our case, it is the result of a bargain in one sense, but it is an individual bargain.

THE COMMISSIONER: Of course, over there everything is the result of a bargain because they have this collective bargaining.

MR. BALLANTYNE: Yes. Now, there is only one other point in connection with our piece work system and that is that it is a straight rate. There is not a premium if a man earns more or less than is necessary to give him the basic wage. He is paid at the same piece work rate.

THE COMMISSIONER: It is neither progressive nor regressive.

MR. BALLANTYNE: No, and that is one essential difference and the other is there isn't that difference between the very high man and the very low man in efficiency.

THE COMMISSIONER: The differential is narrower.

MR. BALLANTYNE: Is much narrower. Now, Mr. Beauregard at pages 69 and 70 quotes the case which he has just mentioned, the type of case which he has just mentioned, that of the doffer and the assistant spinner

depending for their remuneration upon the production of the spinning loom which is attended by the spinner and the assistant and the doffers. Now, that is perfectly correct. That is the case and it is for this reason, that the production of that machine depends very directly upon the efforts of these three types of worker. They are a team which is working and it is on their joint efforts that the production can be brought up, and that, too, is something that has been borrowed from the Lancashire again.

THE COMMISSIONER: According to you Mr. Beauregard is not right in saying that the production, that is, the amount of production is in the hands of the spinner, that the others are dependent on him. That is what he says. You say they all contribute.

MR. BALLANTYNE: Yes, I think one depends upon another. They are inter-dependent.

MR. BEAUREGARD: What I mean is doffers are not free to doff sooner than spinners are ready for them to doff.

MR. BALLANTYNE: That is quite right.

MR. BEAUREGARD: They cannot doff more roving pins than the spinners let them doff. The doffers have got to do the work the spinners have prepared for them, that they have made ready for them. If the spinner would be slow the doffer would have less work. That is why I said the doffers cannot on this basis make haste and produce more.

THE COMMISSIONER: Can the spinner produce more than the doffer will handle, or be able to do?

MR. BEAUREGARD: I think the one that leads here is the spinner because the doffers just supply the roving pins; they put them on and take them away. They have to wait for the spinners to be ready for that operation. They cannot do it just as often as they want, or just as much as they want.

MR. BALLANTYNE: I think that works both ways because if the doffers are slow --

MR. BEAUREGARD: They have to be quick for the time allowed them to do it but they cannot do it oftener or in a larger quantity than called for by the spinners.

THE COMMISSIONER: Mr. Gordon can probably tell me; does it happen, for instance, that a spinner may be retarded or delayed by the doffer?

MR. GORDON: Yes, it happens both ways. The doffers doff the bobbins when they are full, as Mr. Beauregard has explained, and the time it takes those bobbins to become full from the time they start depends to some extent on the spinner. It is the spinner's job to keep the machine running so that they become full. Then it is the doffer's job to take them off and put on other ones as quickly as they can so that the spinner can send the frame on again.

THE COMMISSIONER: As a matter of fact, is a spinner delayed by a doffer's slowness? Does that happen?

MR. GORDON: That does happen. That is why we want the doffers put on piece work too~~see~~ so that they

will do their part as expeditiously as possible.

THE COMMISSIONER: It is easy to understand how a doffer might be delayed by a spinner. It is harder to understand how a spinner could be delayed by a slow doffer.

MR. GORDON: Possibly they won't get their truck to the frame as soon as it is stopped. They will take their time about getting the bobbins off and getting the thing cleaned up ready for the spinner to start again.

MR. BEAUREGARD: I understand doffers will tend a great number of frames. A gang of doffers would serve, for instance, the whole department of spinners.

MR. GORDON: On fine counts.

MR. BEAUREGARD: They would not serve the same spinners all the time because the spinners are not ready for doffing all at the same time. They are ready in turn. We may take, for instance, that a spinner may spend 55 minutes in making the cone, or whatever it is, and the doffer may be working five minutes on this frame.

MR. GORDON: Well, a spinner will look after four frames. A gang of four doffers working to a gang, or sometimes it is two to a gang, depending on the length of the frames, the length of the individual frames, they are doffing maybe 10 frames, they have ten frames to look after, 2½ spinners each, or perhaps twelve frames, make it three spinners, and any frames that stop in those three spinners' share are looked after by that particular gang of doffers,

and the work is laid out so that it is not possible for any two frames to stop together because then the gang would be busy on one frame, on one spinner's group of four, while another frame might have stopped in another spinner's group.

MR. BEAUREGARD: What I had in mind, let us say that on one particular frame a spinner may be busy on that frame for 55 minutes.

MR. GORDON: Not on one frame; she walks around.

MR. BEAUREGARD: Let us say four frames. The operative may be busy for 55 minutes before doffing time comes in.

MR. GORDON: On one frame at a time.

MR. BEAUREGARD: Let us say four in one hour each in its turn, on each frame. The operative, the spinner, would have worked let us say 55 minutes and the doffer comes in and he works four minutes. He cannot help production or delay production to a large extent in comparison with that spinner because if he does his work in four minutes -- suppose that is found to be the correct time by the superintendent, but let us say he would take 4½ minutes; it might be found by the superintendent that he is a slow doffer, or let us say that the gang as a whole is a bit slow because this should have been done in four minutes. Well, I say that all that the doffer can do -- I mean his incentive to do it in the shortest possible time is not what I may call a fair incentive because his pay is going to be measured on the production of the spinner. Whatever pay that is measured on the production of some other person in

my mind is indirect, a very very indirect incentive.

MR. GORDON: You see, Mr. Beauregard, you are talking about spinning frames. So far as the spinner is concerned the spinning frame does not stop at all unless the spinner lets it get in bad shape when it gets out of control. A few ends down do not stop the clocks going. The frame keeps on running under the spinner and it is really the doffers that have more to do with the amount of production than the spinner on the spinning frame. The same is not true in the card room, where you were speaking of roving pins. The bobbins there are doffed by doffers just as in the spinning room but there when an end breaks the frame does have to be stopped by the tender. She throws over the handle and stops it and repairs it so therefore it does depend much more on the tender than in the spinning room, and the doffers are more at the mercy of the tender's skill.

MR. BEAUREGARD: You have the same with the battery hands who are paid by the cut just as the weaver is.

MR. GORDON: Based on the weaver's production.

THE COMMISSIONER: Tell me this, Mr. Gordon; do these people ever complain to each other, the spinners complain to the doffers?

MR. GORDON: Yes, they do, my lord. Mr. Beauregard was mentioning the small amount of difference a doffer could make. That operation, in fact, often takes six minutes instead of four, on the average six minutes in the hour. That is two minutes more in sixty which is nearly 5%, which is 4%.

MR. BEAUREGARD: If it would be six against four that might come to something.

MR. GORDON: That is the idea. It might just as well be six as 4½ if there is no incentive to it.

THE COMMISSIONER: Can you tell me this? Are these wages paid in the same way in England?

MR. GORDON: Yes, my lord, the principles are exactly the same. The rates are different, of course.

THE COMMISSIONER: All I can say is that over there, whatever the system is, that is something that is approved by the trade unions.

MR. GORDON: Pardon?

THE COMMISSIONER: So far as the individual is concerned whatever the system -- you say it is the same system -- is over there then that is the system that is approved of by the trade unions.

MR. GORDON: Yes.

THE COMMISSIONER: By the working men's associations.

MR. BEAUREGARD: Do you mean to say that doffers and battery hands in England are paid that way?

MR. BALLANTYNE: I remember that; there is a book I can bring on English spinning by Jewkes and Gray, and I think they call a doffer -- I was just going to say a gater, but I have in my notes here on the mule spinning, for example --

THE COMMISSIONER: Over there there is a great deal more mule spinnigg than here. It is practically all mule spinning.

MR. GORDON: No, my lord, there are about

twenty thousand, or rather about twenty million -- no, about seventeen million ring spindles in England out of forty-four million.

THE COMMISSIONER: The rest are all mules?

MR. GORDON: Yes.

THE COMMISSIONER: The majority are mules.

MR. BEAUREGARD: What makes the difference in England it is done by bargaining, whatever may be the consideration. If we agree it is so it has got to be so.

THE COMMISSIONER: My point is that over there the work people are paid by the piece.

MR. BEAUREGARD: I am not so sure about that.

MR. BALLANTYNE: I can go much further with that, sir --

THE COMMISSIONER: The rates are the result of the bargaining.

MR. BALLANTYNE: I can bring the book with me to-morrow, my friend, the Webbs again, but I do think they are an authority on it. They say the cotton textile unions and they mention some other unions would not give up the piece work basis.

SECRETARY WHITELEY: They do not make as much use of this complementary help as is done here.

MR. GORDON: On the mules they do, Mr. Whiteley.

THE COMMISSIONER: Yes, they do. That is one of the things Mr. Shaw told me.

SECRETARY WHITELEY: But not in the weave room.

MR. GORDON: They have very few automatic looms in England. They only have about 20,000 automatic

looms in England out of 400,000 looms.

SECRETARY WHITELEY: On the spinning frames do they make as much use of young boys for doffing?

MR. GORDON: On the mules, yes. They have what they call their big piecers and little piecers. Take certain mules over there. There is also a binder and in some cases they have joiner binders. Well, perhaps you had better proceed, Mr. Ballantyne--

MR. BALLANTYNE: My lord--

THE COMMISSIONER: You don't know what they call a doffer in England,

MR. BALLANTYNE: I was going to say gater. I decided I had better not because I think I had gater explained to me as being something like a loom fixer.

MR. GORDON: A gater is a loom fixer. I think they call them doffers as far as they use them in the card room and in the ring spinning.

MR. BALLANTYNE: Now, my lord, we come to the next anomaly in Mr. Beauregard's brief, page 69, in which he refers to the case of the two mule spinners at Montmorency, Tremblay and Mathieu. They were the two first witnesses here. Now, this was mentioned earlier this morning --

THE COMMISSIONER: That is where they divided their pay.

MR. BALLANTYNE: That is where they divided their pay.

THE COMMISSIONER: For two weeks one man would be paid as a skilled man and the other as a helper, and they divided the aggregate between the two of them, and

they changed the next fortnight. I remember that.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: That does take place, does it?

MR. BALLANTYNE: Yes. Now, I would like to explain that.

MR. BEAUREGARD: That has lasted for three years.

MR. BALLANTYNE: It lasted some time.

THE COMMISSIONER: Is it still going on?

MR. BALLANTYNE: As far as I know.

MR. GORDON: Yes, my lord, I think so. I don't think they have made any change.

MR. BALLANTYNE: What happened there is this: There were 22 mules upon which there were employed nine spinners and nine piecers. It was decided to replace some of those mules by ring spinning frames, and the number of mules was reduced from 22 to 9. Now, at that time the company was able to find work in other departments for all the nine piecers. They had left on their hands nine qualified spinners, some, at least, of whom were of middle age. Now, what the company might have done, of course, they might have simply said "there has been a change in machinery, we are sorry" and gotten rid of half of them. Instead of that -- WHAT THEY did do was do the very best they could for these men. They explained the situation to them and they said "if you men are willing to work as spinner and piecer then that work is available for you". The men agreed to do that and that was the suggestion of the company. The men's own suggestion was that the

pay of the spinner and the piecer should be equally divided between them. All nine spinners agreed to do that except Tremblay, Hermenegilde Tremblay, and he wanted to have the wage of the spinner in one period and then take that of a piecer in the next. It worked out unfortunately for him once or twice and then he came into agreement with the other eight men.

THE COMMISSIONER: I notice he is 54 years old.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Is he the only dissatisfied one?

MR. BALLANTYNE: He is satisfied now, my lord.

THE COMMISSIONER: He is satisfied?

MR. BALLANTYNE: Yes, because I think it came out that after he had insisted on alternating the pay he found it didn't work out very well for him. He got on a short time period when he was a spinner.

THE COMMISSIONER: He was still complaining when we were in Quebec.

MR. BEAUREGARD: If he is satisfied it is since we have been there.

MR. BALLANTYNE: Yes; both he and Mathieu, that is the first two witnesses, were very full of complaints about the fact that they were no longer in a position to work as spinners all the time. But the reason why they were not able to work as spinners all the time was the one I have given.

THE COMMISSIONER: I know, I just asked you are they now satisfied? They are still working?

MR. BALLANTYNE: Oh, they are still working.

THE COMMISSIONER: Working on the same system?

MR. BALLANTYNE: Working on the same system. It was a situation which arose in the changing of machinery and it was an endeavour on the part of the company to soften the blow which came to these mule spinners. If, for example, instead of keeping these nine mule spinners and letting them act as spinner and piecer the company had simply taken the other attitude and said "we are sorry, we have only got work for four of you; the other five can go and we will use as piecers the young boys who normally act as piecers", then these men would not have been able to get into the box and complain that they were being paid a combination of the spinner's and piecer's wage instead of being paid the full spinner's wage. Now, there was one other thing which the company might have done, and that was to find a different type of work for the spinners in the mill. Well now, that is a pretty difficult thing --

THE COMMISSIONER: That is, reduce them in standing, as it were.

MR. BALLANTYNE: Yes, because the mule spinner, I am informed, considers himself to be one of the very highest types of operatives in the textile mill, and it is a pretty difficult thing to take a man who has been a spinner for many years and get him to do some less remunerative work which has a lower standing in his estimation. With the piecers that difficulty did not arise, but it was a situation which had to be met and it was met in that way because it was felt that was

the best way in which to act.

MR. BEAUREGARD: Outside of the anomaly, this is a case to show how far away it is from the incentive of piece work. It is one thing to tell two men "I will hire you at $9.00 per week", but to give him an incentive, an incentive by which he is paid more -- paid according to the day's work he does, that is the important thing. If these men are kept under a basic wage and piece work system, I wanted to show that the piece work system as applied in the great number of mills amounts to nothing as an incentive to work. There is a measure above the head of the worker. There is a measure of production he should produce and the only thing that may happen in most of the cases -- I won't say in all cases -- is that he will be below that measure. Now, the Taylor system has been cited, and there are some things in it I do not like. I am not fighting for the Taylor system but the Taylor system keeps an incentive in front of these men to work, and also with all these women, keeps an incentive in front of them that the present piece work system does not give. That man is able, if he is a worker and if he gives his attention to his work, to earn more, but the incentive in the work by piece work is gone, regressing all the time because we do not start very low to go higher up; we start very high to go lower in most of the cases, and then again there are employees who are paid according to some other person's ability or diligence. That goes against the principles

of the piece work system.

MR. BALLANTYNE: My lord, I do not agree that under our present conditions of piece work rates that there is no incentive to higher production. When setting the standard of work the level which is set is one which takes into consideration the ability of the average good worker, and it takes into consideration the rest period or time lag in his day's work, and after all these factors are taken into consideration it is intended that a given worker working with the full complement of machinery should be able to earn something above the standard wage, and if, through either the fact that he is not a capable worker or because at some particular time he has not got a full complement then his wages won't drop too far below, but there certainly is a difference in his pay which depends upon his effort.

Now, with regard to this, Mr. Fessenden -- I come back to him -- in his report recognizes -- recommends the introduction of what he calls the Bedeaux system, or the system which he describes as being the ideal one or the proper one is the Bedeaux system. I am instructed in that system there is hardly an occupation of any kind -- even going as far as elevator men, all the help are placed upon a piece work basis of pay.

THE COMMISSIONER: Where does that prevail?

MR. BALLANTYNE: I don't know where it prevails.

MR. GORDON: I know of two mills in the South that have it. The Martha Mill of the Goodrich Company

at Thomaston, Georgia, and the Chickley Mill of the Chickley Manufacturing Company, also in Georgia.

THE COMMISSIONER: Those are cotton mills?

MR. GORDON: Cotton mills, yes. The Chickley Mill is owned by the Johnson and Johnson interests that make all the surgical gauze and bandages. They both have the Bedeaux system. Those are the only two mills, I think, that have got that in the United States. It is applied to many other types of industry, though.

THE COMMISSIONER: Applied to other companies.

MR. GORDON: They work it out in a rather complicated way so that everybody has an interest in the production. That is what it amounts to, the foremen and everybody, all the different help.

MR. BALLANTYNE: The next section of Mr. Beauregard's brief commences at page 93 and deals with the average salary. Nowk, I don't think it is part of my duty to discuss this particular section as I am appearing for a particular company and because I am going to produce the statements showing the average wages paid. If I was discussing the section there would be certain criticisms which I have to make, but I do not think it is important as far as my client is concerned that they should be made, because this deals with generalities and we are going to produce our own particular averages for our company. My lord, there is just one thing perhaps I might mention in this section. Mr. Beauregard shows the difference ih rates of wages between Ontario

and Quebec, and we have been talking it over between ourselves and there are several facts which we think might account for some, if not all, of that difference, if the difference does exist.

MR. BEAUREGARD: I think it does exist.

MR. BALLANTYNE: I think it does.

THE COMMISSIONER: Well, we have the evidence on that.

MR. BALLANTYNE: If your lordship would like to have it, I don't think it has got much to do with us particularly but I will give you the suggestions that we have. In the first place there is a tendency because, as a rule, we have larger families in the Province of Quebec that more members of that family will work in the mill and for each individual member of the family to have a somewhat smaller portion of work than is the case in Ontario.

THE COMMISSIONER: A smaller portion?

MR. BALLANTYNE: Yes, a smaller job.

MR. BEAUREGARD: Help is more abundant.

THE COMMISSIONER: I do not quite understand that.

MR. BALLANTYNE: You see, my lord --

THE COMMISSIONER: Supposing you have a large family and the father is a spinner how does that give him a smaller job because of the size of his family?

MR. BALLANTYNE: It won't give the father a smaller job, but if he wants to get his son into the mill, and if a good many fathers want to do that, and the mill wants to oblige them they might divide

up the work between these fellows coming in into smaller jobs than would be the case if there was not this extra person coming in.

THE COMMISSIONER: Even then how does that justify any difference. You have one spinner. You pay him a certain rate. You do not employ more workers than you need, and if the net result is the man in Ontario doing the same work is getting more than in Quebec I don't see how you can explain it on any basis of being in the same family.

MR. BALLANTYNE: The rate should not be lower.

THE COMMISSIONER: Let us take a given case; supposing you have five people working, one spinner and four others doing some inferior jobs in Ontario and the same in Quebec. The fact that three or four of them are brothers and sisters should not make any difference to what they get.

MR. BALLANTYNE: No, but if in Quebec we added one more to the three or four --

THE COMMISSIONER: I know, but do you do that. Do you mean to say you employ more people in relation to your production in Quebec than you do in Ontario?

MR. BALLANTYNE: Yes, I am instructed there is a tendency that way.

THE COMMISSIONER: Is it a fact?

MR. BEAUREGARD: Per unit of yarn -- let us say for oneyard of cloth.

MR. GORDON: I think the tendency in our mills is to use more help to run a given amount of machinery than they would have in Ontario in an exactly similar

mill on the same amount of machinery.

MR. BEAUREGARD: That is the first time I have heard of that.

THE COMMISSIONER: That is the first I have heard of that.

MR. GORDON: It is only a theory, my lord. I cannot back it up because we haven't any mills in Ontario, and I don't know, at the present time --

THE COMMISSIONER: In that case the first thing that would happen would be your cost of production would be higher.

MR. GORDON: Not if our wage rates are lower.

THE COMMISSIONER: Unless you keep yourw wage rates lower.

MR. GORDON: That is my idea of the situation but I must admit so far as Ontario goes, not having any mills there, we are not in a position to speak with authority on the Ontario conditions but we do know under our own conditions we have these larger families and they do want to work in the mill.

MR. BEAUREGARD: We have Grouts who have a mill in Valleyfield and one in Ontario and they are paying a lower rate in Valleyfield and a higher rate in Ontario.

SECRETARY WHITELEY: Isn't it also a fact they employ more young people in Quebec than they do in Ontario?

MR. GORDON: Yes, I think the proportion of younger people in Quebec is somewhat higher.

THE COMMISSIONER: What about the age of labour?

Is it the same in both provinces? I thought it was 14 in Quebec and 16 in Ontario.

MR. BALLANTYNE: Those are the minimum ages at which a boy can start work.

MR. BEAUREGARD: We have heard more than once since the depression that they won't hire anybody in Quebec at a lesser age than 16. Onthe other hand take the higher paid class of operatives. The basic rate is somewhat lower in Quebec. I do not suppose that is because they are all younger than they are in Ontario. Those two men on the mules were of age and they were paid a lower wage than similar occupations were in Ontario.

THE COMMISSIONER: That is a special case.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Take an ordinary case; take a spinner or weaver. Is your basic wage less in Quebec than in Ontario for him?

MR. BEAUREGARD: Yes, my lord, it is.

MR. GORDON: It is in evidence here, or in the brief. It shows in some cases we were higher and in some cases lower.

THE COMMISSIONER: I know that the Price Spreads Commission stated several times most emphatically in their report that there was a large difference.

SECRETARY WHITELEY: Page 130.

MR. BALLANTYNE: There is no doubt about it.

THE COMMISSIONER: Between wages in Quebec and Ontario.

MR.BEAUREGARD: You have doffers in Quebec; in 1936 doffers in Quebec, males -- page 133 -- were paid 19.5 and in Ontario they were paid 28.3, the same job, doffers.

MR. GORDON: There were others the other way, Mr. Beauregard.

MR. BALLANTYNE: In the meantime, my lord, I will go on with this.

THE COMMISSIONER: I thought that was what you were arguing.

MR. BALLANTYNE: Oh yes, I said we had these suggestions. The first one was this that the worker does a little less, or has a somewhat smaller job in --

THE COMMISSIONER: What is that?

MR. BALLANTYNE: A somewhat smaller job of work.

THE COMMISSIONER: That is, you employ more people per unit of productioh in Quebec than in Ontario.

MR. BALLANTYNE: Yes. As Mr. Gordon says we don't know that that is the case, but that is Mr. Gordon's suggestion and his impression.

THE COMMISSIONER: You haven't any experience of it?

MR. BALLANTYNE: No, he has no experience of it.

THE COMMISSIONER: You just make it as a suggestion.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Alright, I will take it that way.

MR. BALLANTYNE: The second element, of course, has already been mentioned --

THE COMMISSIONER: Perhaps, Mr. Whiteley, you can get something on that between Valleyfield and

Cornwall.

SECRETARY WHITELEY: I think Valleyfield and Cornwall will tend to be closer together than Valleyfield and Hamilton.

THE COMMISSIONER: Well, Valleyfield and Hamilton.

MR. BALLANTYNE: The second thing which was mentioned earlier when this point first came up was the difference in the cost of living and I think the figures were put in the evidence at that time.

THE COMMISSIONER: It is highest in Ontario.

MR. BALLANTYNE: Yes, I think it is about 10%--

MR. BEAUREGARD: Not that much.

THE COMMISSIONER: Lowest in the Maritime Provinces and second in Quebec, but at the same time the wages in Quebec are below the scale of the Maritimes, although the cost of living is lowest in the Maritimes.

MR. BALLANTYNE: I think the difference, as given here, between Quebec and Ontario in the cost of living was 10%. Now, another thing that might account for the difference is that a large proportion of the mills making stable lines of goods are to be found in Quebec. The mills in Ontario, on the other hand, tend to be more or less on specialized products, and it is quite conceivable that this fact has some bearing on the hourly wage situation. Another factor is that cotton mills in Ontario are for the most part located in the larger centres of population such as Hamilton, Cornwall, Welland, while in Quebec outside of Montreal the mills are located in small municipalities which helps --

MR. BEAUREGARD: What about Sherbrooke, Three Rivers, 30,000, 40,000.

MR. BALLANTYNE: I say I think more of the Dominion Textile mills; yes, there is Sherbrooke.

Now, there are some things that might enter into the cost of production as compared between Ontario and Quebec that may have an influence on this. I am putting this up without any backing for it. For example there is the question that power is cheaper in Ontario than Quebec, that the cost of moving raw cotton to Ontario mills is slightly lower than the cost of moving cotton to Quebec from the same points in the South, that the density of the population as a consumer market and its more central location in Canada as a whole tends to reduce the cost of freight on outgoing goods as compared to the cost for Quebec mills. Now, we do not pretend --

MR. BEAUREGARD: That seems to be a broad statement.

MR. BALLANTYNE: It is simply put in as a matter of interest. We certainly have nothing to back that up.

MR. BEAUREGARD: You might support that with evidence if you would prove where you are selling your goods, where you are shipping.

MR. BALLANTYNE: Mr. Gordon has just shown me some of the rates taken from pages ~~1956~~- 136 and 137 of --

THE COMMISSIONER: What part?

MR. BALLANTYNE: Of Mr. Beauregard's brief, and he has picked out the various occupations and compared

them. In the year 1936 -- the first one is a picker tender. In Ontario he got 30.1 cents and in Quebec 26.5. A speeder tender, male, in Ontario in 1936 got 28.7 cents and in Quebec got 28.8 cents. That is one case where Quebec was a small fraction ahead. Female speeder tender in Ontario got 27.2 cents and in Quebec got the same figure, 27.2 cents.

MR. BEAUREGARD: Winder tender, is it?

MR. GORDON: No, speeder tenders.

MR. BALLANTYNE: They are lower down. Then, spinners, male, in Ontario got 27 cents an hour and in Quebec 24.5 cents. Female spinners in Ontario got 26.7 cents and in Quebec got 25.6 cents,

MR. BEAUREGARD: You have the average there for male and female, 31.1 in Ontario against 26.4 in Quebec as to males and as to females you have 26.6 in Ontario and 24 in Quebec.

MR. GORDON: Then, you have the occupations where we show we have more hands in a similar job.

MR. BALLANTYNE: Then, weavers, male, in Ontario in 1936 got 32.4 cents and in Quebec got 30.5. Female weavers in Ontario got 29.3 cents and in Quebec got 30.6 which is a little bit higher in Quebec. The jobs I have just mentioned are adult jobs, the most skilled jobs, and the difference there just on that list does not appear to be as great as is shown by the average for all occupations which, of course, includes the battery hands and the lighter kinds of work apart from the particularly skilled work.

MR. BEAUREGARD: You have the doffers that go a long way to explain the difference, 19.5 in Quebec and 28.3 in Ontario.

MR. BALLANTYNE: There are some of the lower groups in which there are larger numbers which pull the average down.

THE COMMISSIONER: In the lower groups the differential is much wider.

MR. GORDON: My lord, in the case of the doffers there is just the circumstance that in Ontario they follow the American practice of paying their doffers a fairly high wage and giving them big jobs. In the United States the doffer gets more money than the spinner. That is actually the case. I know it. I have seen it several times. I know it is a fact. Anybody will admit it, whereas we follow the practice of having more doffers and smaller help--

THE COMMISSIONER: Younger people.

MR. GORDON: Yes, because we have to bring up our spinners from these. In the States they seem to have a big floating supply of spinners and they do not have to train them.

THE COMMISSIONER: What is the average age of your doffers?

MR. GORDON: Between 18 and 19 years old at the present time. In our whole mills at the present time we have, as Mr. Ballantyne will bring out, nearly 40 hands below 16 years of age, between the ages of 14 and 16. He will give the whole proportions

later on.

THE COMMISSIONER: We will take a few minutes.

-- The Commission adjourned for a short recess.

(page 18240 follows)

Now, my lord, there are only three other points which are suggested to me by Mr. Beauregard's Brief which I want to discuss and the first of these points is the Quebec Minimum Wage Law, and Mr. Beauregard starts his discussion of that at page 124.

Now, I think he makes three principal complaints in this connection and the first one is that the Act has been infringed by replacing women in the lowest bracket by men at an even lower salary. Now, I thought Mr. Beauregard during the course of his own argument withdrew that complaint in view of a reference to Mr. Frank's evidence. In any case insofar as the Dominion Textile Company is concerned there has been no displacement of women in the lowest bracket by men at even at a lower wage.

THE COMMISSIONER: If you had done such a thing would it have been a violation of the law?

MR. BALLANTYNE: Yes, it would be now. I don't think it would have been a short time ago.

MR. BEAUREGARD: In Sherbrooke, when the last Ordinance, August 25th, was rendered, some jobs allotted up to then to women were then allotted to men.

MR. BALLANTYNE: No, I don't think there has been.

MR. BEAUREGARD: I think you will find that somewhere in the evidence, in Mr. Gordon's evidence.

THE COMMISSIONER: Anyhow the law has been changed, has it?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: If the law has been changed to cover the point that is about all one can do.

What does the law now provide?

MR. BALLANTYNE: The law is to the effect that you cannot pay a man less than you would pay a woman.

THE COMMISSIONER: That is to say, if you employ men in the place of these women you must pay the men at least the same as the women.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Is that the law of Quebec?

MR. BALLANTYNE: Yes.

MR. BEAUREGARD: It is the law of Quebec in as much as jobs allotted to women.

THE COMMISSIONER: Do you know whether that is the law of Ontario?

MR. BALLANTYNE: No.

MR. BEAUREGARD: It is the law of Quebec inas much as jobs allotted to women were known as women's jobs. I think that is the way it reads in the Ordinance.

THE COMMISSIONER: If there are any ragged edges about it the only way to prevent it, if it is an evil, is to have a minimum law for men.

MR. BALLANTYNE: Quite apart from the law the fact is that just before the change was made in Orders Nos. 5 and 6 of the Minimum Wage Board - that was in July, 1935, the percentage of women female employees of the Dominion Textile Company was 42.5%. After that Ordinance came into effect, that is a year later in 1936, the percentage of women employees was 41.7%, so that there was actually a year later a slightly smaller percentage of women employed.

THE COMMISSIONER: Do I understand that there is talk of a Minimum Wage law for men in the Province of Quebec.

MR. BEAUREGARD: Not yet.

MR. BALLANTYNE: There has been some talk of it in the papers.

MR. GORDON: It is supposed to be drafted.

MR. BEAUREGARD: It is under way of preparation but I do not suppose it is in force now.

THE COMMISSIONER: That is the only way I can think of that would meet that situation.

MR. BALLANTYNE: Now, the second complaint that Mr. Beauregard had to make was that in 1935 the mills obtained from the workers in what were then the third and fourth classes under the Minimum Wage Regulations, renunciation.

THE COMMISSIONER: Are those the lowest classes?

MR. GORDON: No, highest, my lord.

MR. BALLANTYNE: Renunciation to the increase in wages which they automatically became entitled to under the law after having had a certain experience ---

THE COMMISSIONER: In the first place, would the law allow such a thing to be done?

MR. BALLANTYNE: Not now. With the change of the law, the change in the percentage groups, such a thing, of course, could no longer be done but what I wanted to discuss here is the reason why that was done at the time it was done. It was done, if not at the suggestion it was certainly done with the consent of the Minimum Wage Board in order that the girls

moving from one class to another would not be replaced at the time their experience period entitled them to a higher bracket.

THE COMMISSIONER: Would not be replaced?

MR. BALLANTYNE: Yes, my lord, because the situation was then during those years that the normal turn-over of labour in the mills had pretty well ceased and consequently the normal promotion due to the depressed time and when a girl reached a certain point where she was entitled to a higher wage the Companies were inclined to dismiss her and take on another and younger girl who had not had that experience behind her. Now, the reason why the companies did that or why the Dominion Textile Company got these re-nunciations was not that they could not afford to pay those girls a higher rate of pay after their experience period was over but it was because the effect of paying that higher rate of pay to a certain class of worker would automatically have had the effect of stepping up the rates of pay of each group of worker above that. I mean---

THE COMMISSIONER: You mean, including the men?

MR. BALLANTYNE: Oh, yes. I mean if a girl whose normal pay was, say, $8 or $9 a week, one of the very lowest wage brackets, had still retained that same job and it has been increased to $10 then the person next in grade above her who had been earning, say, $12 a week would have expected that the same differential between the two would have been kept,

and it was to meet that situation that this temporary expedience of obtaining renunciations was resorted to. That was not satisfactory either to the companies or to the Minimum Wage Board, and the Dominion Textile Company in particular objected and suggested to the Board a revision of the Regulations which eventually took form in the Regulations set out by 5 revised and 6 revised, which provided for a classification of female employees in percentage groups.

THE COMMISSIONER: Well then, this other adjustment can no longer take place?

MR. BALLANTYNE: No, my lord. The percentage system had been used in other industries and Mr.Gordon seeing how it worked in those industries suggested it be applied to this industry simply to overcome that difficulty which existed under the old regulations.

THE COMMISSIONER: Is it working all right?

MR. GORDON: Yes, my lord. Our problem was not that we had a lot in that category. Nowthe 10% covers us amply in that low class.

MR. BEAUREGARD: I think Mr. Frank has given an explanation. It was that girl who, for instance, had been 18 months employed in the Textile Industry. If she made a change and she would go into some other mill, she would be considered as having 18 months experience and she would not be hired at the tariff required by her experience in that second mill, because she was then rated as a person of experience, and the other mill might not be willing to hire that

girl.

THE COMMISSIONER: She would not get any work at all.

MR. BEAUREGARD: No.

THE COMMISSIONER: However, as long as the present system appears to be satisfactory and prevents any contracting out by the woman and then, secondly, as I understand there is to be the minimum wage law for men - so that the point involved seemed to be covered or about to be covered.

MR. BALLANTYNE: Now, the third complaint that Mr. Beauregard makes in regard to women's minimum wages is that the Minimum wage is liable to be considered as a high wage or maximum wage.

THE COMMISSIONER: I think that is a complaint generally among all workers inall industries. They who themselves asked for minimum wage, they say they find it is very often prejudicial to them because employers take it as maximum.

MR. BALLANTYNE: I did pro pose to say as far as the Dominion Textile is concerned ---

THE COMMISSIONER: For instance, I may say I conducted an investigation into the coal mining industry in the West once and that was one of the first complaints of the men. The Statutes there fixed minimum wages for coal miners - and they themselves asked for it. Now they say, "Here, the companies make these minima the maxima." You see, it is a pretty univeral complaint. However, you are just speaking for your own company.

MR. BALLANTYNE: Yes, my lord, and I think it forms an exception to that general complaint. I have had prepared statements. Now, each year the Dominion Textile Company has to file with the Minimum Wage Board two payrolls which cover a period of one month. The last ones they filed were of September 28th, 1936, and it is from those payrolls that this classification has been made up. Now, it is divided first of all into three categories which are covered by the regulations of the Minimum Wage Board. That is, those, 10% at not less than 14½¢ per hour. 25% at not less than 19¢ per hour, and the third category, 65% at not less than 25¢ per hour. This, of course, being for the City of Montreal only. Now, for the Montreal Mills in the first category we find that there are 7.29% in that category instead of 10% as is allowed by the law.

THE COMMISSIONER: How is it in one case the 10% is exceeded, the merchants?

MR. BALLANTYNE: .40. Well, it is sometimes difficult to keep within the --

THE COMMISSIONER: I mean, is that allowable?

MR. GORDON: No, my lord. They gave you a little more than the two weeks period, they average it over a little longer period than that.

THE COMMISSIONER: They average for month?

MR. GORDON: There is a month there.

THE COMMISSIONER: Two weeks ending September 12th and 26th.

MR. GORDON: That is a month. They draw that to our attention and make us get within it again.

THE COMMISSIONER: You have overstepped?

MR. BALLANTYNE: Yes, 4/10th of 1%. In that group on the average for the City mills there is 7.29%, and the interesting thing to note is that the average wage of that group, which must not be less than 14½¢ per hour, was actually 17.07¢ per hour.

THE COMMISSIONER: Is that actual work or is this --

MR. BALLANTYNE: No, this is actually taken from the payrolls, the numbers and hours worked and wages paid, so that it is actual figure of what was earned, actual earning figure. Now, the next category in which there maybe 25%---

THE COMMISSIONER: You have overstepped that twice. Mount Royal you have 27.67%.

MR. BALLANTYNE: Yes, and in Colonial 26.67% but the average for all mills is 24.65% and the average rate per hour is 21.26¢ as compared with the legal minimum of 19¢. Then in the third category in which one is allowed 65%---

THE COMMISSIONER: Then in Hochelaga you not only overstep, you take a sort of "Hop scotch and jump".

MR. GORDON: It is all right to overstep it in the top group.

MR. BALLANTYNE: Yes, it is all to their advantage.

MR. GORDON: Or in the second group for that matter.

MR. BALLANTYNE: In that category you have 65%,

actually 68.06% at 28.97¢ per hour, and the average rate per hour over all was 26.23¢ which was, of course, higher than the highest legal minimum. Now, similarly with the outside mills: In the first category, 6.22% earning 15.81¢ per hour. In the second category 25.62% earning, 18.40¢ per hour as compared with minimum of 17¢ per hour, and in the last category 68.16% earning and 25.24¢ as compared with legal minimum of 21¢ an hour, and an average for all classes of 22.95¢ per hour, which is higher than the highest legal minimum.

Now, below this are two interesting calculations, In the first calculation they have taken conditions as they actually are. That is, the actual distribution---

THE COMMISSIONER: Pardon me, your average rate per hour over all 22.95¢ per hour. That is average of 1581.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: 1840, 2544?

MR. BALLANTYNE: Yes, weighted by the numbers of hours worked throughout. Now, just below that is a statement showing the actual wages paid against wages required by the Minimum Wage Board category rates, and this sets out for the city and the outside mills the hours worked, the minimum wage board rates, wages based on minimum wage board rates and the wages actually paid. Now, the result of that comparison is that the wages actually paid amounted

to $93,061.30 and if the Company had paid the minimum rates they would have paid $79,865.31, so that they paid more than the minima in the four weeks to the extent of $13,195.99 which, if they carried on at the same rate over the year, would amount to $171,547.87. So that on these facts as they are disclosed there it is quite clear that the company is paying considerably more than the minimum wage requirements.

Now, the next calculation shows that comparison even more strongly because here what they have done, they have adjusted this information so that there would be the exact percentages of women in each group, that would be 10% in the lowest group, 25% and 65% and supposing that we were paying them just the minimum wages then we have compared that with what they were actually paid during that period and the difference shows that it would increase the $171,547.87 above-mentioned by $14,899.04 resulting in a final figure that, if the Company had attempted to treat the minima as the maxima it would have been paying nearly $200,000 less in the year.

Those figures by the way, my lord, do not take into consideration the increase in salary which has been made and when I am presenting your lordship with the final figures after that increase I will give you a similar statement for the women workers.

THE COMMISSIONER: I think we had better file this.

MR. BALLANTYNE: Yes, I would like to have itfiled.

SECRETARY WHITELEY: There is a similar one for males. Just add the two together?

THE COMMISSIONER: Yes.

MR. BALLANTYNE: We have made a similar classification for the men.

THE COMMISSIONER: Have you any remarks to make on it?

MR. BALLANTYNE: Yes, my lord, there is a summary which I think it would be worth while looking at.

THE COMMISSIONER: As far as the men are concerned it must be a different thing, there is no minimum wage there.

MR. BALLANTYNE: Yes, as far as this statement of the men is concerned it has been made up on the same basis as Mr. Whiteley's division into various wage groups. I think only a few things I would like to point out, my lord, in the last column and in the last two sets of figures is given a grand total of all categories.

THE COMMISSIONER: Just pardon me, is this based on a comparison with anything?

MR. BALLANTYNE: No, we took those figures for the females from those two September payrolls.

THE COMMISSIONER: There you had something to prove it by.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: What is your basis here?

MR. BALLANTYNE: This is simply to show while the women were earning what we showed in that other statement the men earned what is shown here, just completing the picture for that particular month.

Now, under the heading "Grand total of all

categories" it is shown in the city mills there was 1514 men employed and that their average actual rate per hour during the month of September was 31.72¢ an hour. That is in the last column, my lord, half way down the page. That was for the city mills. For the mills outside the city there were 3,264 men employed during that month and their actual hourly rate was 29.64¢, which gives a total of all men employees of 4,478, and average actual rate per hour of 30.31¢.

Now, the "Summary" at the bottom shows the catefory according to rate of pay, the number of hands, the percentage of hands in that category and an accumulated percentage and I have added to that the actual cents per hour earned by the average in each group. Now, this shows, for example, that 100% earned over 12½ cents per hour. There are ~~5~~ four hands given there, they were just under the 12½¢. The next shows that in the group between 12.5¢ to 16.9¢ per hour there was 8.91% of the employees or, to put it another way, 99.92% of the employees earned over 12½¢ per hour, and the employees in that group who were earning over 12½¢ per hour were actually earning 14.89¢. And similarly throughout - I won't bother to read the whole thing - but the largest group gives in that category between 25 ¢ to 29.9¢ per hour. There was 25.22% of the men in that category - that is to say, to put it another way, that 59.28% of the men earned at least 25¢ per hour. As a matter of

fact the actual average earning in that group was 28.24¢ per hour.

Now, I think that is a clear classification of the male employees according to rates of pay per hour.

EXHIBIT 1365: Classification of male and female Employees of all Dominion Textile Mills according to rates of pay per hour.

There is one point, which is not a matter of principle, but at page 132, Mr. Beauregard gives an example of bad cases of overtime and among those cases he gives that of 200 workers at Montmorency who worked on the night shift Friday night and stopped work Saturday morning and came back again Saturday at one o'clock for shift work then. Now, there is only two things I want to point out in that connection. When that matter came up in Montreal we were going to call a witness up to give the circumstances but your lordship and Mr. Beauregard were good enough to take my statement as to what the facts were then. Unfortunately the reporter did not appear to think that my statement was worth recording - at least as far as I can find in the evidence.

THE COMMISSIONER: The Reporter?

MR. BALLANTYNE: Yes, I looked for the statement which I made at that time and I may have been unfortunate in not finding it.

THE COMMISSIONER: Well, the Reporter takes everything down. You can repeat it.

MR. BALLANTYNE: My recollection of it is this:

The reason why the men were asked to do that overtime was because the close of navigation was due, there was work available which could only be done in that way.

THE COMMISSIONER: What did the close of navigation have to do with it?

MR. GORDON: It was the Bancroft to go to Winnipeg and we got a better rate ---

THE COMMISSIONER: You are talking of navigation on the lakes now?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: I thought you meant the St. Lawrence first. That is the reason I could not understand you.

MR. BALLANTYNE: That is the reason why the men were asked to do that overtime, and there is only one thing I said at the time that statement was made and that is, there was absolutely no threat or compulsion of any kind upon the men to come back and, as a matter of fact, a small number of them did not come back to work on that Saturday, but did come back for the normal work on Monday. Now, apart from that I do not think that there has been much evidence of any extensive overtime in the company's mills. As a matter of fact, the record of the hours which are in the evidence show that unfortunately for some years past perhaps there have not been as many hours of work as the company would have liked to have had.

Now, the last thing that Mr. Beauregard's brief

states or suggests to me is that I should endeavour to outline to you the company's attitude with regard to its relations with its own employees.

THE COMMISSIONER: Now, this is your last proposition?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Before you go on to it, then,- here is a point that has been drawn to my attention. You are still going on a basis of 55-hour week, are you not?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Whereas in England and the United States they have shortened that.

MR. BALLANTYNE: Yes, that is the case, and as a matter of fact our hours, they have never been 55 hours except for short periods in recent years.

MR. GORDON: You are right, my lord, we assume a working week of 55 hours, that our rates of wages by the hour will be earned in 55 hours.

THE COMMISSIONER: Why do you still use that yardstick?

MR. GORDON: Because we do run our mills 55 hours.

THE COMMISSIONER: And that is the legal time in Quebec?

MR. GORDON: There is no legal time for men but there is legal time for women and minors under 18 years of age. So that our group 1, would not be allowed to work longer than 55 hours and it would mean we would have ---

So far as female is concerned when they changed from the time basis to percentage basis they also changed it from so many dollars a week to so many cents an hour, and they took the old dollars per week which are earned or which averaged in our case 55 hours a week and divided it by 48 to get the cents per hour and so we really had a 3% increase ---

THE COMMISSIONER: So far as women are concerned you are on 48-hour week basis?

MR. GORDON: Yes, my lord. The women still work 48 hours a week in our mills where we are running full time.

MR. BALLANTYNE: Now, to begin with it is my submission that labour in the mills of the Dominion Textile Company is already receiving those things for which the unions in England fought. Now, those things are a -e piece work system of wages, a bigger wage, translated into terms of standard piece work rates, a standard week and daily wrking hours and proper working conditions.

THE COMMISSIONER: The difference, of course, being that in England they would do all that by collective bargaining.

MR. BALLANTYNE: Yes, but it is question to me ---

THE COMMISSIONER: There must be a great deal more satisfaction among the men when a thing is arrived at in that way.

MR. BALLANTYNE: It does not give that same sense of responsibility I will admit, although I do not think that the result of collective bargaining

would be to give a higher wage under conditions as they exist here.

THE COMMISSIONER: I don't say that.

MR. BALLANTYNE: No, I quite appreciate your lordship's point.

THE COMMISSIONER: While you are on that, so far as your company is concerned, is there any outstanding objection to this collective bargaining?

MR. BALLANTYNE: Yes, to this extent---

THE COMMISSIONER: Remember, this means only dealing of course with employees of the Textile Industry.

MR. BALLANTYNE: Do you mean collective bargaining with union?

THE COMMISSIONER: Well, that sort of union - the unions I have in mind are the unions that function in England, are the Textile unions of that country. They also have this advantage, of course, that the industry is centered in a rather small locality around Manchester and they can get together very quickly, but that is the kind of union it is. It is a union of the textile trade and from what I could gather over there from the experience I had, leaders of the unions and leaders of the industry - because industry is organized there probably to meet the claims and grievances of the trade unions. Not like here, they are united here for a different purpose but over there wherever a union does exist among textile industrial people it is to present a common attitude towards the common attitude presented

by the textile workers. Well, I had the privilege of meeting the representatives of both the textile workers and the employers around a table and there was no dissentient voice, they all agreed, everything got along swimmingly fine. Why could not such a thing go on in this country? What are the objections?

MR. BALLANTYNE: Granted the conditions which your lordship described, I would say---

THE COMMISSIONER: We cannot bring all our textile factories together.

MR. BALLANTYNE: I do not see there could be any objection by any textile company but the trouble is, as the textile employer sees it under present conditions, to begin with there is no union existing which has the support of the vast majority of the textile workers. That is one thing. The second thing is that the textile union leaders with whom the industry has come into contact in recent years have not given a very strong impression to the employers and it is shown by the evidence that Mr. Beauregard quotes, have given the impression to the employers that these men are more interested in forming a union simply for the sake of having a union than they are in providing a means by which they can sincerely improve the conditions of the textile worker or through which the textile worker and the employer can meet as you have said they meet in England. In the meantime the way industrial relations are being dealt with is this: I do not think that any union leader whom we heard

during the course of this inquiry - and there were some six of them - had a fraction or even a beginning of the knowledge of the textile business, say, that Mr. Gordon as employer has nor do they have anything like his realization of the conditions under which his men work. Now, I could not doubt, for example, the sincerity of Abbe Cote whom we heard in Quebec. There is no doubt in my mind that that type of man has the interest of the textile worker thoroughly at heart, but I was not nearly so much impressed with the other union leaders that we heard, Now, ---

THE COMMISSIONER: You refer to Mr. Bastien and Mr. Cote.

MR. BALLANTYNE: Bastien, if I recollect correctly, worked once a portion of his time in a textile mill. It seems to me that the unionization of any industry must come more from within - I mean when the worker feels that he needs this union to protect him. He has it within his own power to bring that about and to have his own people represent him - not as a company union but as an independent union, something that comes from him and is not attempted to be imposed upon the worker by someone outside. I think that the relationship of the employer and the employee without a union or without an independent union, apart from a company union, can take and does take other forms and I think perhaps that the workers are at present, at any rate, satisfied with these other forms.

Since the hearing of the evidence from the employees at the Montmorency Mill last Spring, nearly a year ago, they of their own volition, entirely independent of the company, have set up and elected an organization which is to represent them in certain cases and they have drawn up their rules and they have described the functions which this committee will carry out, and when they had done that they came to the company and said, "Will you act on this suggestion?" And the company agreed to do so. Now, we did not know--

THE COMMISSIONER: Is that organization composed of all the workers?

MR. GORDON: Yes.

MR. BALLANTYNE: It is headed - this was printed by the organization themselves and it is headed "Comite du Moulin," Shop committee. Now, there is one or two interesting things about this proposal because I think that they express the present attitude of the workers at Montmorency at least towards the management and---

THE COMMISSIONER: You are going to read it?

MR. BALLANTYNE: Do you wish me to read the whole thing?

THE COMMISSIONER: Yes, if it is not too long.

MR. BALLANTYNE: "Organization Meeting of the 7th and 14th of January, 1937. The following agreement-

THE COMMISSIONER: You are translating it?

MR. BALLANTYNE: Yes, my lord. The following understanding has been agreed upon between repre-

sentatives of the mill and the management.

(1) The original representation of the mill and the percentage of vote by department will be as follows: Then there is heading "Department - Day." And below that "Cloth and Napping, Henir Giroux," and the heading "Percentage of total of employees." That is, percentage of employees in that department to the whole, "4.97%."

THE COMMISSIONER: That is less than 5%.

MR. BALLANTYNE: Yes, for that particular Department. But every department is represented and it goes on "Weave Zeme etage, Elias Lafrance," and percentage of the total, 3.61%, and it goes on to the various departments giving the names of the representative and the percentage of the employees in that department to the whole.

Now, the second paragraph is that when a change of representative must take place the employees will advise the foreman of the Department concerned and the foreman in his turn will advise the superintendent.

Then the third paragraph is that general meeting of the committee will be held once a month at half past five the last Thursday of the month.

Then paragraph 4 is, the Superintendent or his representative will be the president of these meetings.

Then the fifth paragraph is - it is understood that the mill committee has the privilege to hold meetings in the dining room at mid-day or at midnight as it desires and that the work of the committee

will not result in any loss of time except as during the course of the annual general meeting of the month. There will be no objection from the management to have the employees of any department see their representative during the course of the hours of work because the Mill Committee undertakes that the employee will not abuse this privilege but the representatives of one department will not have the right to deal with the business of the Committee in other departments during hours of labour.

MR. GORDON: I might explain that when they brought this to us in the first place it was drafted a little bit differently in that paragraph. They wanted to have the right to have their representative go through the mill at any hour and we would not agree to that, and they redrafted this particular paragraph.

MR. BALLANTYNE: Then the sixth paragraph is, when extraordinary conditions require special meetings arrangements may be made for this purpose after written request of a majority of the representatives of the mill or upon a notice of the management.

Then paragraph 7, is it is understood that no strike or lockout must take place unless the committee be gathered for the purpose of discussing it. My translation is for this purpose - for the purpose of discussing it is evidently what they mean.

Then paragraph 8, the committee has the privilege to discuss anything which concerns conditions of work, even agreement between the employees and the manage-

ment.

Then paragraph 9 - the Superintendent will meet two members of the Committee as agreed once a week at a time to be fixed in advance to receive the suggestions which they would like to have examined before the General Meeting. The names of their representatives must be submitted.

Now, the next thing for me is the most interesting thing of this agreement because I think it expresses evidently the feeling of the employees there.

Paragraph 10 - it is understood that the Committee is formed with the object that groups of employees may come in direct contact with the superintendent upon questions which they have not been able to arrange in a satisfactory manner with their foreman or with the assistant superintendent, and only questions of general interest will be discussed. Matters affecting individuals will not be considered by the management through the committee because if individuals- in fact, all the employees will have the right to meet the superintendent at any time when they have been incapable of making satisfactory arrangements with the foreman or the assistant superintendent. We will positively not occupy ourselves with questions affecting only individuals or small group of persons, through the committee except in case where an individual complains that he is not satisfied not having seen the superintendent.

THE COMMISSIONER: Oh, I see, if the individual

has a complaint he must first go to the superintendent?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: And it is only if dissatisfaction persists that they will---

MR. BALLANTYNE: Yes, they recognize there that the normal thing to do first in an individual complaint is to go to the foreman and if the foreman does not give satisfaction to that individual complaint to the superintendent, and then even if the man is still dissatisfied after that, then this committee will take the matter up.

Then paragraph 11 - it is understood that when questions are raised at the meeting, questions to which one cannot reply immediately, the management will cause two representatives to be named later to come to see the management and will give them the reply as soon as it is possible. There will be no useless delays in settling these questions.

Then Paragraph 12 - it has been requested by the management and approved that the mill committee will discuss all questions to be raised before the general meeting and will name a representative to discuss them at this meeting. However, this will not prevent the other members from taking part in the discussion. This is done with the sole object of saving time.

I understand that the committee itself will appoint one of its members to present things to the general meeting of the employees in the mill.

Then paragraph 13 - when it becomes necessary to take a vote at a meeting at the mill or at a general meeting of the Committee the votes of the representatives of the Department will be for the number of the employees whom they represent, so that the number for or against any suggestion will represent the number of the employees in the mill and not the number of the representatives.

The paragraph 14 - the members of the Committee working by the hour will be paid for the time spent at general meeting of the committee. These workers, when it will be possible, will be aided by their comrades who will operate their machines in their absence. All friendly arrangements possible must be made in a manner to prevent loss of production for the mill and loss of wages for the workers. It is understood that none of the parties will receive remuneration for assisting at these meetings, the only object being a better comprehension of our problems and an opportunity of meeting.

MR. BEAUREGARD: Do you know how many meetings have been held since this has been in force?

MR. BALLANTYNE: No.

THE COMMISSIONER: This is now working?

MR. GORDON: Yes, that is accepted as it stands there.

MR. BEAUREGARD: Do you know of any meeting held since then?

MR. GORDON: I don't know. I presume one has

been held - it was started in January, two perhaps.

EXHIBIT 1366: Comite Du Moulin,
Assemblee d'Organisation
7th January, 1937.

THE COMMISSIONER: You will finish tomorrow morning?

MR. BALLANTYNE: Yes. All I have left for the Dominion Textile is short and then I have a short brief for the Montreal Cottons.

THE COMMISSIONER: All right, we will adjourn.

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-- The Commission adjourned at 5.00 P.M. to resume Friday, March 12th, 1937, at 10.30 A.M.

ROBT. BRYDIE
CHARTERED STENOGRAPHIC
REPORTER
TORONTO - CANADA

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

A.S. Whiteley, Secretary,

ONE HUNDRED AND TWENTY-NINTH DAY

(Friday, March 12, 1937)

A R G U M E N T

Robert Brydie,
Official Reporter.

ROYAL COMMISSION ON THE TEXTILE INDUSTRY

HON. MR. JUSTICE W.F.A. TURGEON,

Commissioner,

--

A.S. Whiteley, Secretary,

--

Appearances:

J.C. McRuer, K.C. and E. Beauregard, K.C.	Commission Counsel,
R.L. Kellock, K.C.	For Primary Textile Institute.
C.G. Heward, K.C. Aime Geoffrion, K.C. and C.T. Ballantyne,	For Dominion Textile Company,
S.G. Dixon, K.C.	For Courtaulds, Limited,
L.A. Forsyth, K.C.	For Canadian Celanese Ltd. and Canadian Silk Products Limited.
Thos. Tremblay, K.C. and J.H. Hebert,	For M.E. Binz Co. Ltd.
Francois Lajoie, K.C.	For Wabasso Cotton Co.
A.S. Bruneau, K.C. and G.A. Campbell, K.C.	For Canadian Cottons.

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Ottawa, Ontario.
Friday, March 12, 1937.

-- The Commission met at 10.30 a.m.

ARGUMENT by Mr. BALLANTYNE (Resumed)

Mr. BALLANTYNE: There were two small points that came up in the argument yesterday which I should like to settle now. The first one was the question of the date when the mule spinning frames at Montmorency were removed and ring spinning frames substituted. I have looked up the evidence and I find that this was in May, 1934, and not at an earlier date.

The other point was this. In discussing mechanization yesterday Mr. Beauregard pointed out the case of the Montreal Cotton Company at Valleyfield where the number of weavers was reduced very considerably between the years 1929 and 1935. While the actual number of weavers was reduced very considerably Exhibit 954 shows not only the weavers but the other workers who were added to that department, and it shows that in 1929 there were 687 hands altogether and in 1935 725.

The COMMISSIONER: What is the exhibit ?

Mr. BALLANTYNE: Your Lordship will find it in Exhibit 954. This exhibit is a particularly interesting example of the change in the scheme of the work whereby only skilled work is left with the weaver, the other work being given to other classes of employees. It shows the number of people who were added when the number of weavers was reduced. For example, there were 125 battery hands added where

there were none before; there were twelve weft-carriers where there had been none before, and quite a string of other occupations in which one or two were employed; there were twenty-six smash-piecers as compared with fourteen and eleven warp-dyers; and picking out floats fourteen where there had been none before.

Mr. WHITELEY: Picking out flaws ?

Mr. BALLANTYNE: Picking out floats is the description here.

Mr. BEAUREGARD: Can you tell us why Exhibit 954 reports 334 weavers while for the same year Exhibit 325 reports only 263, though the other shows 514 in 1929 ?

Mr. BALLANTYNE: Perhaps they were taken at different dates in the year.

Mr. GORDON: One is stated to be the average number.

Mr. BEAUREGARD: The actual number is given here as 514.

Mr. BALLANTYNE: Mr. Whiteley has preparedq some exhibits with regard to wages which I wish to have filed.

Mr. WHITELEY: It might be as well to file the 1937 figures first.

Mr. BALLANTYNE: Now I want to finish up with the wages and labour conditions of the Dominion Textile Company. There has been an immense amount of information put before Your Lordship, but I think

the information with regard to labour conditions and wage rates of the Dominion Textile Company is particularly important because 70 per cent of the cotton manufacturing industry is in the province of Quebec, and the mills of the Dominion Textile Company constitute a little over 70 per cent of those in that province. Therefore, the policies carried out by the company have an important effect upon the industry generally.

In summing up I intend to deal only with the wages paid by the company to its employees. I have already submitted to Your Lordship at some length what we consider to be the working conditions and the benefits given to the employees.

I think that the important facts with regard to wages are these. First, the average hourly earnings of all employees of the company, together with the average earnings of the four main groups of employees. I think it is important to distinguish these groups of adult males whom we consider to be 21 years and over and adult females, 18 years and over, and youths 16 to 21 for the boys and 16 to 18 for the girls, together with the relative proportion of the number of employees in each of these classes.

The COMMISSIONER: You take the men over 21 and the women over 18.

Mr. BALLANTYNE: Yes, My Lord. We have divided them up in that way because it is important from every point of view in considering any given rate of wage it should be related to the age and sex of the

earner and the whole picture of the wages paid should be considered in relation to the classification of the employees in accordance to age and sex.

The second thing I will attempt to show your Lordship is that, assuming a standard 48 hour week, what would be the actual earnings of male and female employees in these various categories.

The third thing I shall attempt to show is the actual average earnings of all employees working on present full time, taking a fortnight of 110 hours. Taking them on the present basis of a 55 hour week as modified by short time and turnover, I want to show how much they are earning now.

Lastly I want to show the average annual income of workers in the mills, and to show that in relation to the average annual income of workers in other industries.

I submit that if I can present these facts in that form it should be of assistance to Your Lordship in considering the wages paid by the Dominion Textile Company. To begin with, these statements are all based on the payrolls for the last two weeks in January, 1937, and they therefore represent the increase in wages which took place last December. The first statement which is marked (c) is headed "All employees" and it gives the classification of the numbers and percentage of employees. Of adult males 21 years and over the number employed was 4,498 and the percentage was 55.32.

The COMMISSIONER: Percentage of what ?

Mr. BALLANTYNE: Of the total number of employees. The adult males constituted 55.32 per cent of all employees, and the average rate of pay per hour was 33.05 cents. The adult females 18 years and over numbered 2,543 and constituted 31.28 per cent of all employees, and the average rate of earnings was 25.76 cents per hour. The youths 16 to 21 numbered 911, their percentage was 11.20, and the average hourly earning was 20.11 cents. The girls 16 and under 18 numbered 179, the percentage was 2.20 and the average rate per hour was 19.27 cents.

In connection with this particular class I should point out to Your Lordship that there should be immediately under that statement a sheet showing that we have actually some employees between 14 and 16 years of age. It is now the practice of the mill to employ no one under 16 years, but sometimes they get in and it is found later that they are under that age; or occasionally they are taken in case of need in some families.

The COMMISSIONER: Are you referring to statement (d) ?

Mr. BALLANTYNE: Yes.

The COMMISSIONER: Where does the age appear ?

Mr. BALLANTYNE: At the very top of the page, employees over 14 and under 16 years of age. As a matter of fact there were 30 boys in all and ten girls, and their actual hours of work and rates of

pay are given there. I have told Your Lordship several times in the course of the argument that we did not employ anyone under 16, but as a matter of fact we did find 30 boys and 10 girls.

The COMMISSIONER; Is it not 20 boys ?

Mr. BALLANTYNE: It is 20 in the city mills and 10 outside. These boys and girls are included in all these figures in the groups for youths 16 and under 21 years and for girls between 16 and 18 years.

The COMMISSIONER: You add those two sheets to the exhibit ?

Mr. BALLANTYNE: This has not yet been filed.

The COMMISSIONER: It was given to me attached to Exhibit 1367.

Mr. BALLANTYNE: The statement marked (e) is a large sheet and deals with male employees.

The COMMISSIONER: The number was put on in advance?

Mr. BALLANTYNE: Yes.

The COMMISSIONER: This will be Exhibit 1367. I thought that was something we had yesterday.

EXHIBIT 1367: Statement marked (e).

Mr. BALLANTYNE: The sheet marked (e) and the sheet marked (f) are really in support of that first summary ~~xd~~ (c) which I want over, so that I will not go over them in detail except to point out that in (e) the summary at the bottom of the sheet shows that the males 21 years and over numbered 4,498 and represented 83.16 per cent of the male employees, and

that the youths 16 and under 21 represented 16.84 per cent of the male employees. Similarly with regard to the sheet marked (f) dealing with females, the summary shows that the adult females account for 93.42 per cent of the total employment of females, and girls 16 and under 18 represent 6.58 per cent. The last set of classifications is according to rates of wages and earnings. Your Lordship will see according to the sheet marked (g)--

The COMMISSIONER: We had better put a number on it, it will be 1368. What is it ?

Mr. WHITELEY: It is the same as 1365, only for January 1937.

The COMMISSIONER: Has it reference to the minimum wage ?

Mr. BALLANTYNE: No, My Lord; it is for men. Yesterday I filed a similar statement for men based on the September payrolls of 1936.

The COMMISSIONER: Is it for men only ?

Mr. BALLANTYNE: No. I have it for the female workers on the next sheet, set out on the minimum wage board basis. It shows the difference that has taken place between September of last year and January of this year. With regard to this sheet (g) I think the only thing I need mention is the summary at the bottom of the page, which shows a classification according to the wage rates, the number of hands in each classification, the percentage of that number, the accumulated percentage, and the average earnings

in each group. Perhaps the quickest way to state it is to say that 100 per cent of the male employees earned over 12 1-2 cents an hour, and that those in the group between 12 1-2 cents to 16.9 cents per hour are really earning 14.98 cents, or practically 15 cents an hour. We find that 93.57 per cent of the male employees earned over 17 cents per hour, and those in the group between 17 cents and 21 cents actually have an average hourly rate of 19.01 cents. We find that 78.90 per cent earned over 21 cents an hour and the average earning is 22.86, and 65.98 per cent earn over 25 cents an hour.

Your Lordship will see that some of the larger groups are in the 25 cents to 30 cents class; 25.03 per cent of the male employees are in that group, while 17.30 per cent of the male employees are in the group of 40 cents an hour or over and their actual earnings are 52.24 cents per hour. The next sheet deals with the female employees and is drawn up on the basis of the minimum wage board requirements and shows, as did the statement for September 1936, a more than complete compliance with the regulations of the minimum wage board.

The COMMISSIONER: You refer to the second sheet ?

Mr. BALLANTYNE: Yes, My Lord; it is marked (h) and the heading is Females. I should call Your Lordship's attention this morning to the extent to which the wages paid the female employees exceed the legal minima required by the act, and on the actual basis on

which these wages are paid the company is paying by now $279,000 more than it would pay if it attempted to pay only the minimum wage rates.

The COMMISSIONER: That is for the year.

Mr. BALLANTYNE: Yes; that is the estimate based on that one fortnight. And if the matter were put on an adjusted basis, assuming again a continuation of the conditions shown by the payroll, the amount over and aboev that required by the minimum wage law would be over $300,000. In other words the wages are 23 per cent more than would be required. if the company had attempted to pay only the minimum wages called for.

There are some small sheets which Your Lordship will find most interesting. The first one is (i) and is again based on the January payroll, and it shows the average hours of work per we ek. The first classification is females. The adult females in the city work a 48.25 hour week and the outisde females 45.72 hours, or a total average of 46.86 hours. The girls in the city work 46.48 hours and outside 43.5 hours, and the average over all is 44.62; and the average for all female workers is 46.71 hours per week. For the male adults in the city the number is 53.71 hours and outside 52.35, the total average being 52.76 hours; and for the youths in the city there is a week of 49.78 hours and outside the city 48.71 hours, and an average of 49.02 hours; and the total average week for the male

employees is 52.13 hours. The total over all the males, both within the city and outside is 52.13 and for the females 50.32 hours.

The next statement is marked (j), and to me it is the most interesting of all. It is based on the payrolls from December 19, 1936 to February 13, 1937, and the first thing it shows is this. The average actual wage per week earned during that period was 13.67.

The COMMISSIONER: By all classes put together ?

Mr. BALLANTYNE: Yes. It is an actual average figure, and the average hours worked during that period per week were 46.75. So that the average employee got 13.67m a week and worked 46.75 hours. If that condition were kept up throughout the year the actual average cash income of all employees would $710.84.

The COMMISSIONER: Why do you put it at fifty weeks ? What you call the year is headed in my column Fifty Weeks.

Mr. BALLANTYNE: Yes, that is assuming that there are fifty weeks.

Mr. GEORDON: Is that at the top of the page, My Lord ?

The COMMISSIONER: It is in lead pencil.

Mr. GORDON: That should be fifty-five; it has been changed.

The COMMISSIONER: You mean fifty-two ?

Mr. GORDON: Yes, I was thinking of hours. It

is over the typewritten figures and should be down below.

The COMMISSIONER: I thought you were giving them two weeks' holiday.

Mr. BALLANTYNE: The next set of figures shows what the average employee would earn provided he worked on a fifty-five hour week, and that would be for all the employees, all males, $16.08, or a yearly wage of $836.16. If a forty-eight hour week could be worked throughout the year the average wage of all employees would be $14.04 or a yearly wage of $730.08. That, of course, is an average for all employees, and I have worked out what would be the earnings for the adults, the adult male worker and the adult female worker. The adult female workers constitute 31.28 per cent of all employees. I am assuming that the adult female works 48.86 hours per week. That is the figure that was given on the preceding statement, and taking her average hourly rate to be 25.74 cents she would earn in a week $12.07 and in a year of fifty working weeks she would earn $603.50.

Mr. BEAUREGARD: A week of how many hours ?

Mr. BALLANTYNE: 46.06, practically 47 hours. Now, the adult male worker constituted 55.32 per cent of the total number employed, and assuming that he works 52 3-4 hours per week, as shown by the preceding document, and that his average hourly rate is 33.05 cents per hour, then he would earn on the

average $17.44 a week and in a year of fifty working weeks $872.

Now, My Lord, that is the last of my argument with regard to labour and labour conditions. May I produce the exhibits prepared by Mr. Whiteley.?

The COMMISSIONER: Yes, we will put them all together.

(18281 follows)

MR. BALLANTYNE: Now, the first of these, my lord, is distribution of employees of Dominion Textile Company.

THE COMMISSIONER: Yes.

MR. BALLANTYNE: And the second is the statement of the average earnings of male employees, and the third is average earnings of female employees and the last is the most interesting one of the group, namely, distribution of mill employees according to age groups.

SECRETARY WHITELEY: That covers not only your own company, but--

MR. BALLANTYNE: Yes, this distribution according to age groups covers the Dominion Textile Company, Montreal Cottons Limited and Wabasso Cotton Company Limited at Three Rivers. These figures, I understand, are based partly on the information contained in the big sheets which have been in the hands of the Commission and Mr. Beauregard for a few days. Now, the most interesting of these figures are those which show the analysis of earnings by age groups both for males and females. This sheet shows that in the Dominion Textile Company -- this is quite interesting in view of the discussions which we have been having -- in the Dominion Textile Company of the males 16.65% were over 44 years of age and earned an agerage of 34.20 cents per hour.

MR. BEAUREGARD: Where are you at?

MR. BALLANTYNE: On the last sheet.

THE COMMISSIONER: Pardon me just a minute; you say the Dominion Textile Company?

MR. BALLANTYNE: Yes, my lord, they are covered in the first column.

THE COMMISSIONER: What age, 45 to 54?

MR. BALLANTYNE: I was taking those 44 years and over and combining them and I reached a total of 16.65% of the males employed by the Dominion Textile Company were 44 years of age or over.

THE COMMISSIONER: Yes, you are giving figures that are not on the sheet?

MR. BALLANTYNE: No, I have just calculated it from the sheet.

THE COMMISSIONER: Alright.

MR. BALLANTYNE: 71.05% were from 20 to 44 years of age and earned an average of 28.60 cents an hour. Now, for the females only 3.99% were over 44 years of age and they earned an average hourly rate of 27.15 cents per hour while 75.39% of the females were 20 to 44 years of age and earned 25.25 cents per hour. These figures, of course, since they are based on information of February, 1936, do not reflect the increase in wages which took place in December of last year and which is estimated to have averaged 5.6% over all employees.

Now, my lord, that completes my argument with regard to labour and labour conditions of the Dominion Textile Company, and I have to thank your lordship for having listened to me. I would now like to simply read through my brief on the Montreal Cottons Limited.

THE COMMISSIONER: Alright; is that a brief that is compiled?

MR. BALLANTYNE: Yes, my lord.

Factum of The Montreal Cottons Limited.

" The Montreal Cottons Limited was incorporated in 1911 to take over the business of its predecessor company, the Montreal Cotton Company, which commenced operations in 1874. For the purpose of this enquiry, it is submitted that it is sufficient to consider the present Company and its operations only, without going back beyond 1911. This gives a period of twenty-six years and, in view of the changes in conditions which have occurred, there appears to be little utility in going further. As a matter of fact, for the purposes of this Commission, as defined in the Order-in-Council, namely, to make information available to the Government and ".....will enable sound conclusions to be reached regarding the position of this and other branches of the textile industry in relation to British and Foreign competition, and in particular, the extent to which the employer can reasonably and properly be expected to maintain employment over periods of temporary difficulty", - an examination of the last fifteen year period would appear to have been amply sufficient to enable the necessary and relevant information to be obtained.

The capital of the present Company consists of

5% Bonds due 1943 - $403,440.93

7% Cumulative
Preferred Stock - 30,000 shares -$3,000,000.00

Common Stock - 30,000 shares -$3,000,000.00"

THE COMMISSIONER: That is the par value of the common shares?

MR. BALLANTYNE: Yes, my lord.

MR. GORDON: Yes, my lord.

MR. BALLANTYNE: "It produces Cotton Piece Goods, Fine and Fancy Yarn, Cotton and Artificial Silk Mixtures and Artificial Silk Piece Goods. All classes of Sateens, Silesias, Italians and other types of lining and trimmings are made. Fabrics and finishes have been developed to fit the particular needs of the tailoring and general cutting-up trade. In addition, the Company has specialized in furniture covering fabrics and draperies ranging from heavy jacquard tapestries to fine marquisettes."

Now, I would like to add here, my lord, that in addition to this the company does a large business in fine count yarns and fancy yarns, and that this yarn business amounts to a very substantial proportion of its total sales.

THE COMMISSIONER: Fine count yarns, and the other?

MR. BALLANTYNE: And fancy yarns. I think the fine counts run from 40's to 140's.

" The plants, machinery and equipment used in producing these goods were valued at $7,957,015.51 in the 1935 balance sheet. In 1935 there were in operation 152,944 spindles and 3,524 looms. Net sales were over five million dollars and output was about thirty million yards.

The number of employees has been:

" 1936

	No.	Amount Jan 1st - June 30th
Mill Workers	2,446	$706,751.00
Mechanical	140	$ 68,556.00
Mill Supervision & Clerical	33	$ 34,163.00
Head Office & Directors	10	$ 14,300.00

The relationship of the Company to the Town of Valleyfield may be considered from the points of view of employment afforded, taxes paid and agreements as to extent of taxation.

The Town had a population of 11,411 according to the 1931 Census, and other industries than the Company. The employment given to mill workers and mechanical staff only for the years 1926, 1930 and 1934 is as follows:- 1926"--

MR. BEAUREGARD: Could we have 1932 too? I would like to have 1932 and 1933.

MR. BALLANTYNE: I picked out four year periods. It is all with the Commission.

MR. BEAUREGARD: I would like to get 1932 and 1933.

MR. BALLANTYNE: I will get that for you. It is all filed.

MR. GORDON: Exhibit number 952.

SECRETARY WHITELEY: That is the questionnaire, isn't it?

MR. GORDON: It is all in 952 apparently.

MR. BALLANTYNE: "1926, number 2,647, amount $1,842,311. 1930, number 2,200, amount $1,305,248. 1934, number 2,337, amount $1,272,338.

It is obvious that the very existence of the

"Town, at least at that level of population, depends upon the continued operation of the Company. No person, as an ex-employee, applied for direct relief from the Town.

The taxes paid by the Company for the year 1935-1936 were as follows:-

Municipal - Jan 1/35 - Dec 31/ 35

Mill	-	$40,000.00
Cottages	-	$ 8,619.79
Farm	-	$ 24.85
		$48,644.64

School - July 1/35 - July 1/36

Mill - $30,127.20 less 5%	-	$28,620.84
Cottages $4,595.57 " "	-	$ 4,365.79
School $56.80 " "	-	$ 53.96
		$81,685.23

The present situation between the Company and the Municipality, so far as municipal taxes are concerned"--

THE COMMISSIONER: Would you tell me what that small item means, "school, $56.80"?

MR. BALLANTYNE: I am bothered by that myself, my lord. It is some time since I wrote that. I will check that up at the lunch period.

THE COMMISSIONER: It looks as though you had a school of your own and it pays taxes to the other one.

MR. BALLANTYNE: I am sorry I do not remember that.

" The present situation between the Company and the Municipality, so far as municipal taxes

"are concerned, is governed by By-law 350, as ratified by 25-26 Geo. V., 122. This provides that taxes upon the mills shall be as follows:-

1933- 1934 -$45,000.00

1935- 1939 - $40,000,00

This by-law, approved by the voters and ratified by the Provincial Parliament, represented the final settlement of a dispute between the Municipality and the Company.

The Company claimed that its immoveables had a value in 1933 of $2,400,000.00 and its cottages of $400,000.00. The civic valuators estimated them at $6,981,300.00. The Court put the value at $3,765,917.00. The Company appealed from the value given by the tribunal, but a settlement was made before the appeal was heard."

THE COMMISSIONER: As I understand it insofar as the school taxes are concerned you pay the full school taxes?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: There are no commutations?

MR. BEAUREGARD: Commutation is forfeited by the law.

MR. BALLANTYNE: "The Company was willing, not only to pay the ordinary rates, but even as high as the rates in Montreal, if its valuation was made on the ordinary basis. In addition, it was prepared to cede and actually did cede to the Town certain properties having an assessed value of $14,000.00 and sold to it for $5,000.00 the property known as Valleyfield Electric, which was assessed in 1935

"(at the time of the sale) at $12,000.00

The properties above mentioned actually had at the time a value of $58,750.00.

Previous agreements between the Town and the Company as to taxes had existed in 1920, 1911, 1890 and 1882. The present situation is as described above. It is interesting to note that the insurance appraisal value as at 29th June 1936 was $2,413,336.00.

Under the present arrangement there would appear to be no doubt that the Company is paying at least its full share of municipal taxes and has acted generously"--

MR. BEAUREGARD: I thought you would go over that word.

MR. BALLANTYNE: "--in the settlement of the dispute between it and the Town".

THE COMMISSIONER: In the earlier days did not this company get bonuses from the town?

MR. BALLANTYNE: It did, my lord, in the first two periods, I think, 1882 and 1890. I am not sure about 1890 but certainly at the beginning it got a bonus.

MR. BEAUREGARD: There were two bonuses.

THE COMMISSIONER: I think that is right.

MR. BALLANTYNE: Yes, I think that is right.

MR. BEAUREGARD: And the amount of commuted taxes is around $900,000 since the existence of the company.

MR. BALLANTYNE: Yes, but that is only if one is prepared to accept the valuations which the town put on

the property and which we have never been prepared to accept as being on the same basis as valuations for other properties. That is why this trouble occurred.

" The Dominion Textile Company has an interest in this Company, both as its selling agent and as a majority shareholder.

16,443 shares representing 54.8% of the issued Common Shares of The Montreal Cottons Limited are owned by the Dominion Textile Company Limited.

Under an agreement dated 30th September 1934 Dominion Textile Company is appointed selling agent at a commission of 2% on sales of cloth made by it and of 1% upon purchases of cloth made by it. Credit risks"--

THE COMMISSIONER: Pardon me a moment now; you put the words "of cloth" in there?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: In both cases you have put it in, on sales of cloth --

MR. BEAUREGARD: Sales of cloth or all products?

MR. BALLANTYNE: I think I made that too limited, my lord. I think my recollection of that agreement is that it was selling agent for the products of the company.

MR. BEAUREGARD: Would it be so for purchases also?

MR. BALLANTYNE: Purchases that would be made by the Dominion Textile Company would normally be --

MR. GORDON: It depends whether you are talking of purchases for Montreal Cottons or purchases from them.

MR. BEAUR GARD: It reads there was one per cent on purchases made by it.

MR. GORDON: It means the sale by Montreal Cottons to Dominion Textile directly.

MR. BALLANTYNE: For the use of Dominion Textile.

MR. BEAUREGARD: Dominion Textile by buying is entitled to one per cent.

THE COMMISSIONER: You get a one per cent discount when you buy from Montreal Cottons.

MR. GORDON: Yes, my lord.

MR. BALLANTYNE: "Credit risks and advertising direction and cost are left to The Montreal Cottons Limited. Other expenses and selling space". I have the agreement, the selling agreement, my lord. No, there is no limitation; it is just sales generally.

THE COMMISSIONER: 2% on all sales.

MR. BALLANTYNE: By using the word "cloth" there I made that too limited.

"In 1935 four million of about thirty million yards produced were sold under this agreement."

Now, I should add to the end of that sentence - "to the Dominion Textile Company Limited". Mr. Aird's evidence at which I was looking when I wrote this was not clear, but that four million went to the Dominion Textile Company.

" A change in the management of this Company took place in 1930 and a re-arrangement"--

THE COMMISSIONER: 1931.

MR. BALLANTYNE: 1931,--"and a re-arrangement and revising of the machinery and of the work was then

"commenced. A new General Manager was obtained in Mr. Aird, who was first employed by the Company in August 1932 and made General Manager in 1934.

The Company has not been profitable."

MR. BEAUREGARD: Is that a general statement?

MR. BALLANTYNE: Yes.

MR. BEAUREGARD: Since the inception?

MR. BALLANTYNE: I said at the beginning of this --

THE COMMISSIONER: You are going back 15 years, in this 15 years period.

MR. BALLANTYNE: Yes, and I quote the figures for ten years here.

MR. BEAUREGARD: Then it would be "has not been profitable since 15 years"?

THE COMMISSIONER: In the 15 year period.

MR. BALLANTYNE: Yes.

THE COMMISSIONER: Alright.

MR. BALLANTYNE: "Its Net Profit on Sales before bond interest and dividends has been as follows:- 1926, $427,131.99; 1927, $419,019.38; 1928, $373,220.85; 1929, $144,427.10; 1930 loss of $304,388.52; 1931, loss of $228,886.20; 1932, loss of $47,234.73; 1933 profit of $13,353.30; 1934 profit of $36,590.98; 1935 profit of $330,513.30", and in 1936, my lord, the figure is a profit of $527,557.81.

MR. BEAUREGARD: How much?

MR. BALLANTYNE: $527,557.81.

" The results would have been considerably worse during the ten-year period had normal depreciation been charged. As a matter of fact, no depreciation was provided for during the years 1928, 1929, 1930, 1931 and 1932.

THE COMMISSIONER: In the other years before and after did you take what you call normal depreciation or did you take more?

MR. BALLANTYNE: No, the normal depreciation is about $300,000, and I don't think there were a great many years they wrote anything off like that.

THE COMMISSIONER: Since 1932, for instance, after that long period of low depreciation what have you done since 1932?

MR. BALLANTYNE: I will give you the figures in a minute, my lord.

THE COMMISSIONER: I mean have you taken more than you would otherwise have taken?

MR. BALLANTYNE: Oh no, we haven't. You mean have we been trying to make up for what we lost during that period?

THE COMMISSIONER: Yes.

MR. BALLANTYNE: We have this year to an extent of--

MR. GORDON: About $60,000, yes.

THE COMMISSIONER: That is in this current year.

MR. GORDON: Yes, my lord, the one we have just finished.

THE COMMISSIONER: And notwithstanding that you made a profit of $527,000.

MR. GORDON: Yes, my lord.

MR. BALLANTYNE: "Surplus Account, which stood at $886,619.42 in 1926 had dropped to $21,233.40 in 1935. Common stock dividends were discontinued in March 1933 and have not been resumed since." Now, up to March 15th of this year there will be a dividend payable of one-half of one per cent on the common stock.

THE COMMISSIONER: That will be next March?

MR. BALLANTYNE: No, the 15th of this month.

THE COMMISSIONER: Oh yes, this is March.

MR. BALLANTYNE: On Monday there will be payable a dividend of 50 cents a share.

THE COMMISSIONER: 50 cents a share.

MR. BALLANTYNE: Yes, my lord.

THE COMMISSIONER: Alright.

MR. BALLANTYNE: "In 1929 the Company disposed of"-- now, that disposal was a long term lease --"to the Beauharnois Power the water power rights which it had acquired at its inception. These power rights, which of course had no connection with the textile industry per se, had become very valuable over the years. The Company received for them 8000 horse power of electric energy free and a substantial cash payment. Without such a payment dividends on the Common Stock would have had to have been discontinued much sooner and it probably aided, if it did not ensure, the continuous operation of the Company during the period when it suffered substantial losses.

" There has been no change in the capital structure of the Company since 1911, except for the reduction of the outstanding bonds from $1,000,000.00 to $403,440.93 in 1935."

That reduction, of course, took place through the ordinary operation of the sinking fund.

" The Commission auditor prepared certain statements with regard to the Capital and Profits or Losses of the Company. These consist of:-

1. Profit and Loss and Surplus Summary 1926-1935.
2. Capitalization & Operating Results.
3. Repairs & Mill Equipment & Supplies charged to Operations.
4. Memo re Fixed Assets & Depreciation.
5. Comparative Balance Sheet 1926-1935.

With regard to the first statement, it is to be noted that the figures for 'Net Revenue for Period' are given before the deductions which follow for interest on loans, income taxes, interest on bonds and sinking fund reserve. Similarly, with regard to the figures shown as 'Net Profit on Sales, % to Sales'. It is certainly unusual to claim that interest on borrowed money is not part of the cost. It is equally unusual in accounting practice and contrary to section 113, sub-section 3 of the Dominion Companies' Act to show Net Revenue before the deductions above mentioned.

The second statement 'Capitalization & Operating Results' is presumably to be read as a whole.

"Upon that basis, it is submitted that it is misleading and inaccurate in at least three respects - namely, as to capitalization, net revenue for 49 years and net revenue for 10 years.

As to capital, the statement shows 'Adjusted Amount for Capital' at $2,884,500.00. This purports to be the 'Capital' of the Company and is arrived at by deducting from the issued capital stock that portion which represents surplus (earnings re-invested plus $5,000.00) existing at and prior to 1911, and which was capitalized then".

THE COMMISSIONER: Re-invested in the company.

MR. BALLANTYNE: Yes, re-invested in the company.

"The witness admitted that the retention of profits increased the capital and was represented by assets; that if profits prior to 1911 had been distributed to shareholders and the increased assets acquired by a new issue of stock, such new issue would have been shown in the capital and not deducted; that the profits shown were earned upon a capital of $6,000,000.00 and not upon a capital of $2,884,500.00.

The reason given for showing the capital in this way is: "We are just setting up in this statement the make-up of the capital. I have not used that statement for any purpose at all, except to disclose the set-up of the capital".

THE COMMISSIONER: You are talking of the reason given by the Commission Auditor.

MR. BALLANTYNE: Yes, my lord.

" Whatever the intention of the witness was, such intention is not clear in the form of statement. It is submitted that the only inference to be drawn from the statement is that the profits shown were earned upon a capital of $2,884,500.00, whereas the facts and admissions of the witness prove that the earnings were upon a share capital of $6,000,000.00.

As to Net Revenue for 49 years (1877-1925) and for 10 years (1926-1935) the figures are shown without prior deduction in the first case of Income Taxes and in the second of Income Taxes, Bond Interest and Sinking Fund Reserve".

Now, it seems to me the only justification for omitting bond interest here would be if the bonds outstanding were added to the invested capital.

"In the latter period, net revenues are shown at $3,067,221.39. This statement was prepared to assist the commission in its investigation into the textile industry. The witness states that he would confine earnings of the Company as a textile company to the first item of Net Revenue for 10 years to 1935 to 'From operations ..... $716,840.46'. He admits that the item 'Transfer from extraordinary profits.....$1,446,339.99' represents the proceeds of a sale of a capital asset having no connection with the manufacture of textiles".

THE COMMISSIONER: Is that yourx water power?

MR. BALLANTYNE: Yes, I was just going to point out I should not perhaps have said "sale". It is a long term lease and not a sale.

THE COMMISSIONER: Yes, what length of term is it?

MR. BALLANTYNE: 75 years;

"At the foot of the statement there is given, without comment, figures for depreciation and repairs and equipment, etc. for 10 years prior to 1935. These figures can have no relevance to this statement, nor any purpose, unless they are intended to suggest that they should be included in 'Net Revenue' for the period. There is not one bit of evidence to suggest that this is the case.

Upon these facts, it is submitted that this statement is, at the least, useless for the purpose of this enquiry and is, without the explanation and qualifications of the witness, definitely misleading.

The next two statements - 'Repairs & Mill Equipment & Supplies charged to Operations' and 'Fixed Assets & Depreciation' appear to make proof of nothing, other than arithmetical accuracy. There is no evidence that any Repairs etc. were improperly charged to operations rather than to capital. What evidence there was made is to the contrary. As to the latter statement, no good ground has been shown for taking an Insurance Appraisal as a basis of value of fixed

"assets, and no Appraisal" - perhaps I did not explain myself clearly there - " and no appraisal by an appraisal company has been made during the period. It is more than likely that natural increment"---

THE COMMISSIONER: You mean no appraisal other than an insurance company.

MR. BALLANTYNE: Yes, perhaps that is the best way of putting it.

"It is more than likely that natural increment in values since 1911 makes the depreciation written off during the period inadequate.

The last statement, "Comparative Balance Sheet shows, without demur or qualification by the witness, full value in assets behind all the issued share capital of the Company."

THE COMMISSIONER: You say "It is more than likely that natural increment in values since 1911" -- I thought you wrote your depreciation on your cost.

MR. BALLANTYNE: Yes, my lord, that is just the trouble. If we start to depreciate something now on its cost because we have that ten years and now its useful life will be over --

THE COMMISSIONER: That is the opinion that Mr. Heward was defending.

MR. BALLANTYNE: Yes. We start writing off on our cost on the basis of a ten year life for the particular thing. During the course and towards the end of that ten year period we find to our sorrow

there has been a general rise in prices and when our depreciation runs out at the end of the ten year period all the money we have is money to buy a similar object at the cost which we had ten years ago, but when we come to the end of the ten years we have that money but we find it is not sufficient to purchase the equivalent article because that equivalent article has gone up in price. That is the trouble and it is unavoidable, the trouble with taking depreciation on cost because it naturally cannot follow changing price levels. Of course, sometimes it might work out the other way and to the benefit of the company.

THE COMMISSIONER: Well, for the purposes, for instance, of the Income Tax Department are you compelled to take depreciation on cost?

MR. BALLANTYNE: Yes, we are, my lord.

THE COMMISSIONER: Yes, I see; it might work the other way, of course.

MR. BALLANTYNE: It might work either way.

" The last statement, 'Comparative Balance Sheet' shows, without demur or qualification by the witness, full value in assets behind all the issued share capital of the Company. When it is recalled that he shows a higher value for fixed assets in the preceding statement than in this, his second statement 'Capitalization & Operating Results' as to 'Adjusted Amount for Capital' becomes not only without basis but inconsistent.

" The Company provides non-contributory pensions, contributory but non-profit making medical service and housing.

Thirty thousand dollars, equal to one dollar per common share, were paid in pensions in 1935. Eight-three persons"--

THE COMMISSIONER: 88.

MR. BALLANTYNE: Pardon me, 88.

"Eighty-eight persons are on the pension list, a statement of which, showing individual names and amounts paid, was filed. Qualification for a retiring allowance is twenty years service and the rate is based upon earnings for the last ten years prior to retirement. It is quite true that the Company is under no obligation to pay pensions, but they are not contributory, and the whole cost is borne by the Company.

The medical service provides for a contribution by employees of 5 cents and ten cents per fortnight, earning less or more than $8.00 respectively. The service covers free attention for any accidents or sickness in or out of the mill and free prescriptions. This does not include hospital or the services of an out-of-town doctor, nor accidents or illness falling under the Workmen's Compensation Act. It does include home treatment after discharge from hospital, and also old employees. Three doctors are employed and a nurse in the well equipped dispensary and first

"aid room. The cost is about $5,000.00 per year and no profit is made."

MR. BEAUREGARD: You mean it is all paid by employees and the company is making no profit.

MR. BALLANTYNE: Yes, that is right.

" The Company owns and rents to its employees 200 cottages. Total 1935 rentals amounted to $31,809.32; the average yearly rental being $159.05 and the average monthly rental $13.25. Forty-two cottages were leased to superintendents, foremen and members of office staff, at an average monthly rental of $17.60. The balance of 158 cottages were rented to other employees at an average monthly rental of $12.10."

I would like to mention here, my lord, something which did not come up in the inquiry at Valleyfield and which I am sorry now we did not bring to your lordship's attention and that is that the company owns a farm at Valleyfield, and has owned it for a very great number of years, and supplies 60 milk cows, dairy farm, and provides its own employees with milk and cream.

MR. BEAUREGARD: Not all of them.

MR. BALLANTYNE: Not all of them. You could not supply them all from 60 cows.

MR. BEAUREGARD: Let us say you supply the staff and the office.

MR. BALLANTYNE: Oh no, more than that.

MR. GORDON: Anybody that wants to buy the milk

can do so, but they won't all buy it from us. They buy it from the farmers around although our prices are the same.

MR. BALLANTYNE: "The balance of 158 cottages were rented to other employees at an average monthly rental of $12.10.

Thirty-one mill employees or ex-mill employees gave evidence, either at Valleyfield (May 28th to May 29th ,1936) or at Montreal on the Forty-first day (June 3rd 1936). It is interesting to note to begin with that all the employees to whom the question was put knew their rate of pay."

MR. BEAUREGARD: That is fine.

MR.BALLANTYNE: You agree with me.

MR. BEAUREGARD: I agree with you.

MR. BALLANTYNE: "Dining rooms are provided and special rooms in which to change were either provided, or in the course of construction during the hearings. Complaints of a general nature which were made by one or more of the witnesses may be summarized as follows:-

1. An increase in the number of machines which employees were obliged to tend.

2. A system of fines for bad work, although witnesses who made this complaint admitted that this system was abolished in 1934.

3. That employees are responsible for defective work which is due to a fault in the machine.

"4. That there was moisture on the walls of the weave room in winter time, and that the temperature became very high".

And I omitted one complaint which I should have put in:

5. That they were obliged to wait outside for their pay at the gate under certain circumstances."

THE COMMISSIONER: Alright.

-- The Commission adjourned for a short recess.

(page 18305 follows)

-- After Recess.

MR. BALLANTYNE: We had just reached the foot of page 17 and I have asked to have added a fifth complaint.

THE COMMISSIONER: I have added it.

MR. BALLANTYNE: The evidence in respect of that last complaint was this: that the rule in the Mill is that pays are made in the various departments when these departments are operating. When a pay-day comes along and some one or more of the departments is not working then the pay is made at the entrance to the mill where there is a dining room situated.

Some of the witnesses complained that they were obliged to wait in the street because there was not enough room for them in the dining room. That was the extent of that complaint.

THE COMMISSIONER: Well, it was a pretty large one. I mean to say, I do not think there is any doubt about it they said they had to wait there in crowds outside and wait a long time.

MR. BALLANTYNE: That would be, of course, if a large number of the Departments of the Mill were closed down on the pay day.

MR. BEAUREGARD: As I remember, pay day was on Friday and they were running a short week so that pay day was a holiday for nearly the whole staff.

MR. BALLANTYNE: Some of the witnesses said there was a very large number on certain pay days but when

the mill---

THE COMMISSIONER: Oh yes, they talked of large numbers all right, is that still going on?

MR. GORDON: It is. I do not know what we can do about it unless spread them all through the mills and went around and paid them in the departments.

MR. BEAUREGARD: It is such a large number that the space within the walls was not sufficient to keep them inside, they had even to be on the street.

MR. GORDON: Yes, if, as you see, the mill ran short time there would be 2500 employees to be paid. If we were running regular short time I think in that case we would endeavour to pay them on working days,- that is pay them on Thursday instead of Friday.

MR. BALLANTYNE: You may remember the change of pay day from Monday until Friday was one that was made at the request of the employees themselves.

MR. BEAUREGARD: This is the only mill that there was such a complaint that they had to stay outside.

MR. BALLANTYNE: Yes, it is the only mill that that complaint was made.

MR. BEAUREGARD: And to make a special trip to the mill to be paid. I suppose things could be arranged differently as they are I suppose in other mills.

MR. BALLANTYNE: I do not see why they should not and in any event, except in a period of consistent short time, such a thing would not arise at all.

"1. With regard to the evidence of some of the employees as to an increase in the number of

machines or spindles to tend, the General Manager Mr. Aird, gave the following evidence:

There has been an increase in the number, starting in 1931. Where extra looms or spindles were given to an operator, certain other work was removed, so that they did not have more to look after than before and in fact, in some cases, they now have less. The result was to leave skilled work to be done by the skilled operator and having less skilled workers do other classes of work."

THE COMMISSIONER: When you say "So that they did not have more to look after," you do not mean more spindles?

MR. BALLANTYNE: No, more actual work to do.

MR. BEAUREGARD: More to look after - it is not more looms because they had more looms.

MR. BALLANTYNE: They had more looms but they had less work.

"This was explained also by two weavers, Hebert and Leduc, and by two loom fixers, Jourdain and Pare, and by the Superintendent of the weave room, Mr. Meury.

Mademoiselle Hebert, a weaver, now has forty-four looms where formerly she had twelve. She explained the change in system which made her work easier with forty-four looms than it was with twelve under the old system. The same explanation and the same conclusion that the work was less fatiguing under the new system was given by Mademoiselle Leduc. She also explained the

change in system and stated that the work under the new system was less arduous. Similar evidence was given by Jourdain, a loom fixer, and Pare, a loom fixer, at page 5602."

Then with regard to the second complaint:

"2. Mr. Aird, the General Manager, testified that there was a system of fines in effect in 1932, but that this system had been abolished since the Fall of 1934. If a weaver, for example, produces continuous bad work, such weaver is warned and if the same fault continues the weaver may be laid off for a week without pay. This, however, does not happen very often."

MR. BEAUREGARD: That would be a fine just the same. To lay a man off more than one week is more than an actual fine.

MR. BALLANTYNE: I can hardly see why a company should be expected to keep in its employ at all a person who is not capable of producing the work.

The third complaint was that employees were responsible for defective work.

THE COMMISSIONER: Of course those two run into-gether, do not they?

MR. BALLANTYNE: Yes, very closely.

THE COMMISSIONER: I suppose the real complaint is they blame them for things that are not really their fault and punish them by being laid off.

MR. BALLANTYNE: I am not sure we did not actually have one witness who admitted having done bad work

for which the witness is responsible.

THE COMMISSIONER: That may be.

MR. BALLANTYNE: "3. Mr. Aird testified that where an employee found defective work which was due to a defect in the machine, he could call the second hand to examine the loom. If the second hand finds that the defect is due to a fault of the machine, he signs his name on the roll of cloth where it is defective, and when that cloth is sent to the inspection department the signature of the second hand is noted and the weaver is not held responsible. In certain sections of the mill there are looms which run after twelve midday and after 6 P.M. for an average of about half an hour. Some looms will stop in five minutes and other looms may run forty minutes until they are stopped by the automatic action of the machine in the case of the break of the end of a warp or of some other cause. The weaver, upon his return and finding the defect, may have the cloth signed by the second hand as above mentioned, and the weaver is not in any way held responsible. The weavers are paid for the cloth produced during these periods."

And the fourth complaint was that there was moisture on the walls of the weave room in winter-time and that the temperature became very high.

"4. Mr. Aird stated that records of temperature and relative humidity in the weave room were

kept. These records are taken twice during the day and three times during the night. One witness, Filon, had testified that the room temperature often went as high as 90 and that it averaged between 80 and 90, and that the humidity was very great. The Official records show that in only one case in the month of January did the temperature go to 82, that the highest temperature in February was 80 degrees, and that in the month of March it went up to 80 degrees three times. On numerous occasions during the three months the temperature was around 74.

The proper degree of humidity for a weave room should be between 65 and 75. In none of the three months of January, February or March 1936 did the humidity go as high as 75 degrees."

75% relative humidity.

THE COMMISSIONER: 75% relative humidity?

MR. GORDON: Yes, that is the way it is measured, my lord.

MR. BALLANTYNE: "A witness, Charles Flourde, who worked for part of the year 1932 for the Company stated that it was necessary for the employees to drink from the end of a hose and he instanced the Gault mill. The general Manager testified that this was absolutely incorrect, as there were drinking fountains or taps for drinking purposes in all departments throughout the mills. There were hoses in some departments for washing down

purposes, but they were not intended to be used for drinking." He, that is Plourde, also stated that the sanitary arrangements were bad. The General Manager stated that this could only have applied to the Gault Mill in 1932, as complete new sanitary installations were commenced in 1931 and were completed in 1932.

A witness, Joseph Leroux, stated that when he became President of the Catholic Union in 1934 and in 1935 he was discharged. The facts brought out in cross-examination do not bear out this statement. The General Manager testifies that this man was not discharged as a result of his being President of the Union; that the witness' wife asked for employment for her husband and that he was given temporary work installing looms in mill No. 1 and was paid off with other temporary hands when that work was completed. Similarly, Leroux was given temporary work, with others, in 1935 in changing some looms in the Gault Mill."

It is my recollection that this witness Leroux was a man who had previously been an electrician for at least 10 years before he got this employment and then that he was given this temporary work at that time. He had a little shop in Valleyfield.

"Emile Pilon, a loom fixer, stated that he was laid off for two weeks in 1935 without explanation and got his job back after a

complaint to the factory inspector. The General Manager stated that there was at that time a surplus number of loom fixers in relation to the orders on hand and that for a period they were alternating two weeks on and two weeks off.

The same witness, Pilon, stated in Examination-in-Chief, and categorically repeated in Cross-examination, that the Company had been warned of an impending visit of the factory inspector, Mr. Robert, and that the mill was specially cleaned for this visit. The General Manager produced a letter from Chief Inspector Robert stating that this was not the case and that no warning was ever given to the Company of inspections and would not be tolerated.

The witness Plourde stated that certain employees had to return on Saturday afternoons to clean the machines, without pay, or only for .25 cents, and that it took one to three hours. On cross-examination this charge was reduced to the Shriner Calendar machines. James M. Lowe, Superintendent of the converting division in which these machines are situated stated that the employees working on these machines are paid by the hour and it is part of their work to clean their machines once a week, and that they are paid for the cleaning at the same rate as for their other employment. J.H. Meury, Superintendent of the weave room, explained if cleaning was done by the weavers that this work was included

in establishing their piece work rate, and that no cleaning was done without pay."

MR. BEAUREGARD: That is a funny statement just the same.

MR. BALLANTYNE: No, in fixing the piece-work rates one of the elements which they take into consideration of the operations that employees have to do is that a certain period of each day is spent in doing the cleaning of the machines. It is just one of the other elements in the same way as the charge of lag that is always calculated in.

THE COMMISSIONER: Would that consideration tend to increase or decrease the rate?

MR. BEAUREGARD: Tends to decrease the rate.

MR. BALLANTYNE: No, in fixing a piece-rate work they have to take ---

THE COMMISSIONER: I know, quite. Some element would be towards an increase and some towards a decrease, you arrive at a rate. How does this element work? Part of his time is taken up ---

MR. BALLANTYNE: I mean, it is just considering the cleaning as part of the operation.

MR. BEAUREGARD: A weaver he is paid according to production and at the end of the week the weaver will spend two hours just cleaning his looms. Well, he is not paid for that loom cleaning extra. This does not tie up with the law for women, the Minimum Wage Act, because women are supposed to be paid for all hours spent in the place.

MR. BALLANTYNE: They are.

MR. BEAUREGARD: By the hour, pay 30 cents an hour for weaving, they are supposed to be paid just the same if you keep them in the shop and keep them working. As to the man, it is a peculiar way to say they are paid piece-work while that piece-work would include some other work.

MR. GORDON: You asked whether it increased or decreased -- It increases the piece-work rate.

THE COMMISSIONER: Well, it should increase it.

MR. GORDON: We figure this loom or whatever the machine is instead of running and being operated by that employee say 55 hours a week will only operate 53 hours. Therefore the production will be reduced that much and when you divide the production into the basic wage you get a higher wage.

THE COMMISSIONER: So that you give him the benefit of the loss of two hours?

MR. GORDON: Yes. We do not separate it on the pay-roll.

THE COMMISSIONER: If he does not have to waste two hours cleaning he would produce two hours more.

MR. GORDON: Yes. Whether we are wrong in the eyes of the law or not I don't know.

THE COMMISSIONER: I understand so far Mr. Beauregard must have been reasoning rather by analogy. He talks of the Minimum Wage Law which applies to women.

MR. GORDON: Even in the case of women we do not make any distinction. If we are wrong

I have notheard so by Mr. Franks or anybody else.

MR. BALLANTYNE: "Meury also confirmed the statement of the General Manager of the reasons why the witness Leroux was laid off at the end of two short periods of employment in 1934 and 1935, and that the lay-off had nothing whatsoever to do with his being an officer of a Union. This witness also answers certain charges of Leroux and Pilon as to additional work for weavers and loom fixers. Meury also denies the statement of the witness Pilon that he was laid off for two weeks without explanation.

Another witness, Treffle Leduc, made somewhat similar charges to those of Leroux, in that he claimed to have been discharged because of his activities with the Union. It is submitted that the reason for this man's discharge is quite clear from the manner in which he gave his evidence and the admissions which he made under cross-examination. He was warned several times that during working hours he was not to go about the mill talking to other employees. He persisted in doing this and was eventually discharged."

MR. BEAUREGARD: He did what you admitted to be fair for the Shop Committee of Montmorency.

MR. BALLANTYNE: No, my recollection of the man's evidence and of his appearance was very clear and it was brought out first of all that he not only talked a great deal, as anyone could tell from

listening to him in the box, to people in his own Department but that he went fromDepartment to Department during working hours talking, and another thing against him, and which he admitted himself, he had a sleep at one period---

THE COMMISSIONER: Had a sleep?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: He was tired talking.

MR. BALLANTYNE: If your lordship can remember that man.

THE COMMISSIONER: Yes, I can remember him very well.

MR. BALLANTYNE: Then I do not think I need argue the point as to the reason of his discharge.

"The four referred to above, namely, Pilon, and former employees Plourde, Leroux and Leduc, made a great number of charges against the Company, as indicated. It is submitted that these charges are unfounded and some of them made in bad faith..."

MR. BEAUREGARD: When you say "Some of them made in bad faith," I would like to know which you have in mind.

MR. BALLANTYNE: Yes, Plourde. Plourde, as your Lordship will remember, worked only just at the end of the year in 1932 or 1933 and he came down to Valleyfield from some mining camp up north to give evidence and one statement he made was that they were obliged to drink from hoses and another statement as to the cleaning. And those two come to my mind at once, and I simply did not believe that man from

his manner in the box and from the other evidence.

MR. BEAUREGARD: Well, should I understand that what you said as being bad faith relates only to Plourde?

MR. BALLANTYNE: No, I do not believe those other two men Leroux and Leduc, who claim they were discharged because they were members of the Union.

MR. BEAUREGARD: I do not see how my confreres can say a man is in bad faith - the employer only knows by what he has in his head whether he is doing such a thing by such a reason or not. When the employee comes in and states that it ties up very well with his activities in a union, his dismissal, he may state that and be a man of very good faith. He may impute ---

THE COMMISSIONER: Yes, he may think he is discharged because he joins the union.

MR. BEAUREGARD: Unless he is told flatly he is discharged he is imputing a motive to the employer, but because the employee is imputing a motive to the employer, the co-existence of two facts, one of which is the cause - one of which he gives as the cause and the other is the effect. The weight of the evidence may be on one side rather than the other but this is the general weighing of the evidence and I have no means of disposing of evidence when I saythis man or that man is in bad faith. That is the reason I am asking a few names be given as to whom that statement of bad faith would apply.

MR. BALLANTYNE: I think those four men - I

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remember them very distinctly and the clear impression I got from their evidence and from the cross-examination that they were there to make any complaint they could think of against the company.

MR BEAUREGARD: That is not enough to support a statement of bad faith.

"Messrs Leroux and Leduc were part of a delegation which met the Minister of Labour, Mr.Gordon, Managing Director of the Dominion Textile Company Limited, and Mr. Aird, General Manager of this Company, at Montreal on the 20th May, 1935. Their account of this meeting and of the manner in which they were treated is denied by the Abbe Downs and the Advocate, Gontran Saint Onge, the Chaplain and Advocate of the Union respectively."

MR. BEAUREGARD: Well, it is denied - they were admitted for a few minutes.

MR. BALLANTYNE: No, the account those men gave up their treatment in Montreal was intended to represent that they were very badly treated and the Abbe Downs and Mr. Saint Onge when they heard that evidence given by those men themselves came to the Court and said, "We want to have a chance to make clear that that account given by these two men is incorrect."

MR. BEAUREGARD: As far as I remember from the facts the complaints of the men on this occasion were not so much against the Company as against Mr. Saint Onge, and ---

THE COMMISSIONER: As I recollect it, their

complaint was against Abbe Downs and Saint Onge.

MR. BEAUREGARD: Much more than against the Company.

THE COMMISSIONER: I think they themselves thought they should be present personally at all that transpired and the other two, the Priest and the Advocate, they thought they were the ones to be present.

MR. GORDON: It rested with Mr. Ackland, Minister of Labour, and the meeting was held in his office. He was more or less Chairman of the Meeting.

MR. BEAUREGARD: I understand the charge in this instance was much less against the Company than St. Onge. I understand Mr. Ackland, the Minister, was Chairman of this meeting and possibly he is the man that let them out in the corridor while the discussion went on.

MR. GORDON: That was at the very beginning. They were in at least three-quarters of an hour.

MR. BALLANTYNE: "As a result of this meeting, there was formed "A joint Industrial Board Shop Committee". Achille Henley gave evidence as a member of this Board. He stated that the Board had met twice as a result of previous meetings at the Union. The first complaint was with regard to loom fixers on the 5th floor of the Louise Mill, and the Company agreed to the change asked by the men. Similarly, when the Committee asked to be paid on Fridays instead of Mondays the Company agreed to the request.

He said that the employees had not made any other complaints to the Board, and that he knew of none at the present time. He also stated that he was a weaver and was satisfied with his work if full time employment could be given. He also pointed out that the five members of the Committee were also members of the Union.

In December 1935, 67.65 of the employees were male and 32.35 were female. Of these 4% were in the group earning $6.99 a week or less, 21.85% were in the group between $7.00 to $9.99, 20.76% in the group between $10.00 to $11.99, 23.55% in the group $12.00 to $14.99, and 29.84% in the group of $15.00 a week and over.

The average number employed per month in 1929 was 2.383, made up of 1516 men and 867 women. In 1935 the average number was 2,429, made up of 1657 men and 772 women. Reduced to a full time basis these latter figures would have been 1297 men and 688 women.

The evidence given shows favourable working conditions. Pensions, medical services and cottages are supplied, asdescribed above. The rate and basis of pay is made known to all the employees. The sanitary arrangements are good and special rooms have been constructed in which employees may change and in which they may leave their clothes. Dining rooms are provided.

There has undoubtedly been short time employment at times, which necessarily results in the employees and the Company earning less. However, it must be remembered that the last few years have been poor from the point of view of business, and that it is in the interest of the Company, as well as of the employees, to obtain and carry on full time operations."

THE COMMISSIONER: You are through?

MR. BALLANTYNE: Yes, except one or two statements. Would your lordship care to take just a minute?

THE COMMISSIONER: These are statements you are filing?

MR. BALLANTYNE: Yes.

THE COMMISSIONER: That is all right.

MR. BALLANTYNE: They are in this connection: In some of the statements prepared by the Commission Auditor, one statement particularly, there is a long list of expenditures for repairs and supplies and equipment.

MR. BEAUREGARD: You are again with Dominion Textiles?

MR. BALLANTYNE: No, Montreal Cottons, and the inference to be drawn from that statement and from some of the examinations which have taken place is that the Company has improperly charged to operations things which they should have charged to capital. Now, this statement No. 1 shows, Montreal Cottons Limited, shows the charges to Capital Account,

Repair Account, Supplies and Equipment that memo of wages were included. In 1931 there was charged to Capital Account $907,278.33, of which $120,000, represented wages. There was charged to Repair Account, $225,114.26, of which wages included $116,209, and charged to Supply and Equipment Account, $246,644.32. Now, the total expenditures charged to Capital Account 1931 to 1933, amounted to $1,512,341.41, and total charged to Capital Account, including the wages shown there, from 1934 to 1936 amounted to $335,452.74.

THE COMMISSIONER: What wages are charged to Capital Account?

MR. BALLANTYNE: For example, if putting up a building they would charge labour, and that is why where there is a greater amount spent on buildings you will find that the perdentage of wages is higher because there is more labour in building than there is in machinery. For example, 1932, $123,000 odd spent on the building. Out of a total of $437,968.65 the wages account was 30.4%, which reflected the larger percentage of expenditure in regard to the buildings.

MR. GORDON: About the Capital Expenditure, Labour ~~and~~ on machinery as well as in erecting it. We capitalize the erection charges.

MR. BALLANTYNE: Now, the amount you charge to repair account represents the total of the charges of material used and the wages are shown separately.

THE COMMISSIONER: You have given copies of this to Mr. McRuer?

SECRETARY WHITELEY: I have a set here.

MR. BALLANTYNE: The second is just what Mr. McRuer had raised as to improper charge of wages to the wage account and shows percentage of wages paid to the Mechanical Department, the percentage of the amount paid to the Mechanical Department charged to Capital Account, amount charged to repairs and the amount which represented wages for the ordinary duties of the Mechanical Department in the Mill.

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THE COMMISSIONER: This corresponds to the charges marked in this first one?

MR. BALLANTYNE: Yes. The object of producing these is -- and this is where I take issue particularly with the Commission Auditor's statements -- that there has been not a trace of evidence that there has been any improper charging of expenditures to revenue account which should have been charged to capital account, and it is because of that inference which has been so often made in connection with the Montreal Cottons that these statements have been prepared. There is one thing I don't know whether Mr. Howson had or not and that is the proportion of wages in the repair account which, of course, has been given to Mr. McRuer anyway just now -- some days ago.

THE COMMISSIONER: File all these together then as 1370.

EXHIBIT NO. 1370: Financial statements re Montreal Cottons Ltd.

THE COMMISSIONER: Is that all, Mr. Ballantyne ?

MR. BALLANTYNE: Yes, and I thank you very much your lordship for having listened to me, hearing my argument.

THE COMMISSIONER: Alright. Who goes on at half past two?

MR. BEAUREGARD: I understand my learned friend Mr. Bruneau will be.

-- The Commission adjourned at 12.40 pm. to resume at 2.30 p.m.

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-- The Commission resumed at 2.30 p.m.

Mr. BRUNEAU: My Lord, I do not intend to deal at all fully with questions that have been discussed before your Lordship but only to the limited extent to which our company has been referred to in the course of the brief filed by Mr. McRuer and in our own brief. I wish to make a very few remarks first on the extent to which we have been mentioned in connection with the Japanese question in connection with Mr. McRuer's brief. I will take up some remarks of his before going on to my own.

I was reminded only the other day of the seriousness of this question when I was referred to an article which appeared in L'Illustration of July 20, 1935.

The COMMISSIONER: The French magazine ?

Mr. BRUNEAU: Yes, My Lord. As Your Lordship knows it is a very authoritative and well-informed magazine and it sent out its correspondent to Japan in that year to make an inquiry on the spot. The first article appeared on the 20th of July under the heading"Japanese Prices and Their Consequences". I will not go into the article but he points out what is familiar ground to usm in respect of various articles bought in Japan, with the prices attached, showing the prices in yen, converted into francs, and he concludes by giving his opinion that the question is so serious to the French public that he feels that tariffs will provide an insufficient solution and that it calls for a social reconsideration, as he describes it, of the industry, on what he terms a military basis, that is to say, where the

workers will be obliged to work at minimum wages, with compensations made up to them otherwise by the government in certain special industries such as the cottons.

That shows the seriousness with which the subject has been taken in other countries. And I noted only last week that the International Labour Office at Geneva has just published a book which no doubt be available here in the course of the next few days, dealing with the problem of Japanese textile competition as an international matter. What its contents are I do not know, but apparently it has been discussed as one of the most serious international problems before the world at the present time. That publication will no doubt be of considerable value when it is received here. It was announced in the Montreal Gazette I believe, not more than a week ago, and Your Lordship may have seen the reference to it.

As I read it, the suggestion contained in Mr. McRuer's conclusion on the Japanese question is that the textile manufacturers should wait until they are hurt and until they can prove that their rayon business has actually been taken away from them, and that we should be blamed for having made an outcry before we were actually hurt.

I submit, My Lord, that that is not a rational suggestion. I see that this year we are spending in Canada--and this is an analogy--some $50,000,000 for the purpose of national defence, though so far no invader has reached our shores nor is any invader likely to attack us for some considerable time. In the same way, when we deal with other menaces such

as the recent floods, I presume the time to make the outcry is not when the water is coming in through your upstairs windows but when the first signs of the flood are evident.

The COMMISSIONER: You assimilate the incoming of goods from foreign countries to the incoming of troops.

Mr. BRUNEAU: In their economic effects, yes.

The COMMISSIONER: We should never make treaties then.

Mr. BRUNEAU: If the subject is one that is taken so seriously in other countries, as apparently it has been, and one that is worthy of the attention of the International Labour Office at Geneva, then I suggest that it must be regarded in the nature of a menace.

The COMMISSIONER: I have not seen what the international labour office has said on the subject. Have you seen it ?

Mr. BRUNEAU: It is not available yet.

The COMMISSIONER: The Japanese took part in the compilation of the material there. When they left the League of Nations they did not leave the International Labour Office. I was there this summer and I know they have there representatives working on this question.

Mr. WHITELEY: Mr. Bruneau has reference to certain preparatory documents for the conference. This is to take place in Washington next month. There are two volumes.

Mr. BRUNEAU: I do suggest that when the problem is a serious international one we are concerned with

and that we should deal with it before it reaches the acute stage when it may result in complications of an even much more serious nature.

The COMMISSIONER: What would suggest then that we should do ? There was a certain condition of affairs existing in 1935, particularly in the last six months of that year. Then that condition was changed somewhat, it was remedied--I suppose you would say aggravated--by the new treaty which was consummated at the beginning of the following year, 1936. You say that was a mistake and that matters should have been left as they were during those last six months of 1935.

Mr. BRUNEAU: I suggest that we should approach it with a great deal of care.

The COMMISSIONER: But you have had a great deal of time.

Mr. McRUER: We have had a year in which to be careful.

The COMMISSIONER: Can you now make any concrete proposals ?

Mr. BRUNEAU: I am not instructed to make any concrete proposals, so that it would be rather presumptuous of me to do anything of that sort. But the subject has been referred to and correspondence produced.

The COMMISSIONER: Your company is one which has complained the loudest and been the most outspoken in predicting all sorts of misfortunes, and I should have thought therefore that of all companies yours would be the one to have at this stage of the proceedings some concrete suggestion to offer. What

do you want me to do ?

Mr. BRUNEAU: In his letter to Mr. Dunning in February 1936, which has been produced, Mr. Dawson requested that no steps be taken to lower the tariff in favour of Japan.

The COMMISSIONER: What is the date ?

Mr. BRUNEAU: February 25, 1936.

The COMMISSIONER: Have any steps been taken since ?

Mr. BRUNEAU: I do not think there has been any subsequent correspondence.

The COMMISSIONER: No, but have any steps been taken since then to lower the tariff in respect of Japan?

Mr. BRUNEAU: Not that I know of, My Lord.

Mr. McRUER: That letter went further than you suggest, Mr. Bruneau. Was it not a plea to leave matters where they had been prior to the first of January, 1936?

Mr. BRUNEAU: Yes.

The COMMISSIONER: It is not a question of maintaining it but of putting it back where it was.

Mr. BRUNEAU: That is apparently what the company suggested, but it has not made any particular suggestions for presentation to-day. I was merely dealing in a very general way with this question. But whatever suggestions are made by the commission, I submit that they should be viewed in the light of what is a serious problem.

The COMMISSIONER: It does strike me that those in the business who are most alarmed about this menace, as you call it, should have been able at

this stage of our proceedings to come and say, "We propose that you should do so-and-so". Where else am I to get any suggestions as to what should be done in order to make proper recommendations?

Mr. BRUNEAU: They have suggested that the steps taken at the beginning of 1936 were not the proper steps, and that is as far as they have gone.

The COMMISSIONER: If you suggested simply that in your opinion it was desirable to restore the conditions that existed from July on to the end of December 1935, I should know what you meant. I presume you would want to preclude the entry of Japanese goods into the country ?

Mr. BRUNEAU: That no doubt is what they have in mind.

Mr. McRUER: Do you want those goods precluded from coming into Canada ?

Mr. BRUNEAU: Well, we certainly do not want to be faced with a problem that will end in the elimination in Canada of production of those goods which we make and which compete with Japanese goods.

Mr. McRUER: What is the exhibit number ?

Mr. BRUNEAU: The letter is dated February 25, 1936. I believe it is No. 502.

The COMMISSIONER: That letter suggested that no further steps should be taken towards lowering the tariff, and you say that nothing has been added on that point, because no further steps have been taken.

Mr. BRUNEAU: I believe that the delegation that saw the ministers on the 15th of January submitted to them the steps which the industry wished to have taken.

Mr. McRUER: Oh no, they did not. They went away to figure them out and closed the mill before they got through figuring. In the middle of January 1936 they came to protest against the steps that were taken.

The COMMISSIONER: They were told to wait and see.

Mr. McRUER: Mr. Dodd said that he and Mr. Howard saw them and that he had been figuring on different propositions.

Mr. BRUNEAU: My point is this. If it is wrong to plan for national defence, if it is wrong to take steps to prevent fires, if flood prevention is wrong, if all these things are wrong, then we were wrong in concerning ourselves with Japanese competition, and that is as far as I want to go at this moment.

I have a note which was given me with regard to the situation at Milltown where we come into direct competition, and I find in the week ended January 16, 1937, as compared with the week when we made these representations, that the looms run have been cut down from 486 ~~yards~~ to 419; ~~yards~~ yards woven, from 98,502 to 85,692; and pounds woven from 31,689 to 26,558.

The COMMISSIONER: In what period of time ?

Mr. BRUNEAU: That is comparing January 16, 1937--the week ending on that date--with the week ending January 15, 1936. That is what has taken place in the year that has followed the first discussion of the question.

Mr. McRUER: Have you got your purchases for the whole year ?

Mr. BRUNEAU: No, I have not.

Mr. McRUER: Are you importing any yarn now ? Do you buy yarn from anybody but Courtaulds ?

Mr. BRUNEAU: I cannot tell you. The first suggestion that we had exaggerated the situation was made in connection with the report by Mr. J. H. Marx of the Associated Textiles of Canada Limited, which contains a reported statement attributed to Mr. Tolmie of Canadian Cottons Limited, that Japanese goods had forced the shutdown of the Milltown mill.

The COMMISSIONER: The Milltown mill was never shut down.

Mr. BRUNEAU: No, it was never shut down.

The COMMISSIONER: That was a mistake then ?

Mr. BRUNEAU: It was merely Mr. Marx' version of what happened at the conference with the ministers. It was hearsay evidence.

Mr. McRUER: Oh no; it was not hearsay evidence. Mr. Hallam was there and he swore that it was a truthful account of what had taken place and that he was the man who had prepared it for sending out. It was not hearsay evidence at all. He testified clearly.

The COMMISSIONER: Did someone actually make the statement on that occasion that the Milltown mill had been closed.

Mr. BRUNEAU: No, My Lord; but Mr. Marx' report said so and stated that his own was closed.

The COMMISSIONER: As a matter of fact his own was closed.

Mr. BRUNEAU: Yes, for two days.

The COMMISSIONER: That was my impression too, but that statement was an interjection that someone

made. The fact is, however, that Mr. Marx' mill was closed on the 16th of December and reopened on the 18th of January, so that it was closed for over a month.

Mr. McRUER: It was closed before the Japanese treaty was announced.

Mr. BRUNEAU: I would refer Your Lordship to pages 33 and 35 of Mr. McRuer's brief. Mr. Dawson denied the statement on the stand on June 16, and although Mr. Tolmie was later a witness he was not examined on the point. I wish to make it quite clear that no one on behalf of this company ever said that the mill was shut down when they made the representations to the ministers.

On page 33 of Mr. McRuer's brief there is reference to a letter which Mr. Dawson wrote to the hon. Mr. Dunning on February 25, 1936, to which was annexed a memorandum from Mr. Tolmie, summing up the situation as he saw it at that time. In this connection My Lord, I wish to make a very slight correction but one which is material, because in my opinion the extracts quoted from the memorandum do not go far enough. For instance, on page 33 of Mr. McRuer's brief the second paragraph of the letter as quoted starts:

> "At the first of January, a short time before we stopped production on these two ranges, we had a total stock of 4,937 pieces."

If you will look at the extract you will find that the two ranges that are referred to in the preceding paragraph have reference to rayon cotton fabrics, and you might come to the conclusion that

our memorandum was claiming that production had stopped on rayon cotton fabrics, which would be a serious statement. If, however, you insert the sentence left out at the beginning of the paragraph it becomes clear that the two ranges referred to were 27 inch taffeta and 36 inch taffeta ranges, numbers 9990 and 9970. If Your Lordship will turn to Exhibit 483 you will find that the second paragraph reads in part:

> "In the 27 inch taffeta which we manufacture under range #9990 and in the same quality 36 inch wide as our range #9970, we sold for the entire spring and fall seasons of 1935, 11,361 pieces (averaging 37 yards per piece)."

Then that paragraph in the memorandum goes on with the words, "At the first of January", and so on, with which the second paragraph of the quotation begins on page 33 of Mr. McNuer's brief. So that the memorandum refers to a subject much more limited than would appear from the brief. It mentions 11,361 pieces averaging 37 yards per piece as the production of the previous year in the discontinued lines, and the price given on the next page of the memorandum is 19 cents, so that the amount of production involved was $80,000. Similarly, the third paragraph of the quotation as submitted stops too soon to give the full effect of the memorandum. From the portion cited one would imagine that a total shutdown in rayons generally was being spoken of by the company, whereas that is not the situation disclosed to the minister, because the memorandum states that two ranges of better quality rayon

production had been cut down to one-third. I quote the sentence from the memorandum:

"On two better qualities of rayon taffeta known respectively as our ranges M8950 and M8955, on which we were running the limited number of looms in our organization suited for the most economical production of those qualities, I felt compelled to request the mill to reduce operations to a single shift, or in other words, only one-third of normal production."

That is from Exhibit 483, page 3.

Mr. McRUER: What is the complaint ?

Mr. BRUNEAU: I am not making any very strong complaint; I am saying that the extracts cited in the brief, if taken alone, give the impression of exaggeration.

The COMMISSIONER: The curtailment in production would appear to be greater from the extracts that are set out.

Mr. BRUNEAU: Yes, My Lord; I read the extracts myself before reading the memorandum and I came to the conclusion that we were complaining of something much more serious.

Mr. McRUER: But you went on to talk about closing the mill and the place becoming a deserted village.

Mr. BRUNEAU: We spoke of the future, but the complaint here is being made on our statement of what the facts were at the time, and the facts are stated fully in the memorandum, Exhibit 483.

The COMMISSIONER: At any rate, you are justified in making that correction.

Mr. BRUNEAU: At the top of page 34 there is a similar correction to be made, a very slight one. The telegram is quoted but the word "process", although not very material, is left out. It has been put in since. The entire telegram shows that what concerned Mr. Tolmie was an actual offer of Japanese goods at a price substantially below the Canadian cost of production, and he makes a complete disclosure as to what his conclusion was based upon. Mr. Tolmie does not say that the business has been strangled. He refers only to what he considers the future effect of this competition will be.

Mr. McRUER: In reference to this letter of February 25, I do not think you are quite fair to yourself in making no suggestion as to what remedy ought to be applied. It is quite specific. Mr. Dawson is quite specific in what he asks for because he says:

> "In the meantime, therefore, apparently the only way to save the situation is to put a proper valuation for duty purposes on such goods as they are attempting to flood this market with."

The COMMISSIONER: Section 43 was dealt with in the treaty.

Mr. BRUNEAU: What part of the exhibit are you reading from, Mr. McRuer ?

Mr. McRUER: The quotation begins at the bottom of the second page.

Mr. BRUNEAU: I have mentioned this telegram because on the following page of the brief we are reminded on a number of occasions that our business

has not in fact been strangled, and I want to make it clear that that was not the claim made by the company.

The COMMISSIONER: But you cannot ignore what Mr. Dawson said in the following letter that appears on page 34 of Mr. McRuer's brief. He says:

> "As our warps are woven out I am afraid there is nothing for us to do but to stop the looms because we cannot allow that plant to continue to increase the loss that it made last year. Within a short time I will send you the actual figures."

Then he goes on to picture Milltown as a deserted village.

Mr. BRUNEAU: What I wish to make clear, My Lord, is that there had been no exaggeration of the facts. We submitted the facts exactly as they were and drew our conclusions from them.

Mr. McRUER: Before you get too far away from the distressing situation of the looms and the condition on January 16, 1937, I may say that I have just received a memorandum showing the purchases of your yarns for a number of years brought down to date. In 1931 the purchases were 289,996 pounds; in 1932 they were 331,578; in 1933, 553,873; in 1934, 450,388; in 1935, 569,936; in 1936, 634,362; and for the month of January, 1937, 57,181, which if that rate keeps up will bring it above the total of 1936.

Mr. BRUNEAU: I would point out that the rayon business made a substantial investment with the intention that an endeavour would be made to make the business grow. It started from rock bottom.

The COMMISSIONER: These figures are pertinent.

(18345 follows)

THE COMMISSIONER: In view of the increasing large quantities of raw material that you are buying your alarm at being driven out of business is not so great as some of these letters would indicate that it was.

MR. BRUNEAU: I think the alarm was genuine enough. Everyone else in the world is alarmed.

THE COMMISSIONER: If you would say that the alarm is over now, but you don't.

MR. BRUNEAU: No.

THE COMMISSIONER: Then why are you supplying yourselves with all this raw material?

MR. BRUNEAU: We are doing our best to stay in business, my lord. That is what we are there for.

MR. McRUER: My friend has told us to-day they are reducing the output of their mill on January 16th.

MR. BRUNEAU: That certainly is --

MR. McRUER: I know, but you are leading us to believe it is on account of Japanese competition you have been driven to that.

MR. BRUNEAU: At page 35 of the brief we find a further reference to the Milltown mill and the statement is made that Mr. Dawson admitted that the Milltown mill was never closed. Well, it was not an admission. It was very difficult to extort just what Mr. Dawson said, but no statement such as that was ever made.

THE COMMISSIONER: I do not see how anybody can state the mill was closed when it was working and employing hundreds of men.

MR. BRUNEAU: So it was not an admission. It reminds

me of the man being asked to admit he stopped beating his wife or that sort of thing. In the next sentence we read: "He was pressed to produce evidence of any cancellations of orders attributable to Japanese competition and was unable to do so." Mr. Dawson's evidence was he did not have any detailed knowledge, and he submitted to the secretary of the Commission a letter with various annexes dated September 16, 1936 in which he showed the extent of the cancellations of orders for the corresponding periods of 1935 and 1936, which showed in January, 1936 there had been 83,810 yards of orders for rayon fabrics cancelled as against a total of 69,997 in the previous six months.

MR. McRUER: But no suggestion it was on account of Japanese competition.

MR. BRUNEAU: Well, the buyers do not always say "re Japanese competition we are cancelling" but the fact was these cancellationsw were there and were naturally to some extent alarming to a business. I am further instructed and it also appears in Mr. Dawson's evidence at page 7123 and 7124 that if cancellations were in large measure avoided it was first because instructions were imediately issued by the company's sales manager that the company would stand behind its customers and either meet the Japanese terms or allow cancellations and secondly because the company stopped production in competing lines, as we have seen already, in lines that competed with the articles that were actually landing. At page 35 -- I did not get the last figures; they have just been given me by Mr.

McRuer so I am really not in a position to discuss them, but it has already been pointed out to us that purchases of rayon yarns from Courtaulds were larger in 1936 than in 1935.--

THE COMMISSIONER: And running up into the month of January of this year.

MR. BRUNEAU: Yes, but Mr. Dawson pointed out at page 7184 and again at page 7188 that the company is producing many lines of rayon, products of which are not yet in competition with Japanese products, and expansion has no doubt taken place along these lines. I mean the figures, those that have been cited to-day, are not conclusive as to Japanese competition because you have many lines which do not compete as yet with the Japanese products and on these expansion has taken place.

(page 18348 follows)

I am instructed that increased poundage, and this also referred to in the same place by Mr. Dawson at pages 7184 and 7188, is due to the development of heavy lines of rayon products now being used for double width suit and overcoat linings weighing from four to five times as much as the Japanese taffeta which the Company stopped. At page 7138 Mr. Dawson also refers to the changes in style taking place in 1936 from mixture cottons, cotton and rayon linings to all rayon as required by the trade, so naturally all-rayons were being manufactured rather than mixtures because of the greater demand for it.

"The relevant figures are those showing the cutting down of lines competing with the Japanese forwarded to the Commission on Sept. 16th, 1936."

THE COMMISSIONER: Is that letter an exhibit?

MR. BRUNEAU: It must be.

MR. McKUER: On September 16th, 1936, he forwarded a letter to Mr. Whiteley with a number of Exhibits. They must have been put in near the end.

MR. BRUNEAU: It refers to the specific cutting down of those lines which compete with Japanese goods. We may be increasing our lines which do not as yet compete with them, but that does not minimize the seriousness of the problem or take away the fact that we may have to concern ourselves very seriously even with those lines in the comparatively near future.

Then finally:

"Mr. McRuer states that our complaint of Japanese competition was unfounded because we increased our wages on the 1st of December last. The Milltown Mill is one of the seven and as appears from Mr. Tolmie's memorandum, already referred to at page 33 of the brief, the Mill also makes various cotton fabrics."

THE COMMISSIONER: Is that the only one of your mills that make rayon?

MR. BRUNEAU: Yes. To continue:

"A general improvement in business as a whole has resulted in an increase for all the Company's workers, even for those engaged in Rayon production. We cannot discriminate between the workmen who are producing paying lines and those who are not and our ability to increase wages does not establish that we are not affected by Japanese competition."

Then at page 35 I read:

"'The evidence seems to be conclusive that the statements made in the letters written to members of the Government by officers of Canadian Cottons, Limited were unfounded!'

I go on to say in my Brief:

"We have already submitted that if the letters are quoted in full the evidence is conclusive that the statements made wre in the best of good faith and were strictly true."

Then at page 36 of Mr. McRuer's Brief he reaches the conclusion that the business of the company has not been strangled, but I may say that a measure of prosperity at the moment does not dispose of the danger. I continue:

"The body may thrive even after the cancer has developed, but the doctor knows what the end will be."

So I think, my lord, we are entitled to consider what the end of this Japanese competition will be if it is not dealt with. Next I deal with the page 38 of Mr. McRuer's Brief:

"Mr. Johnson of Courtaulds is quoted as a witness against us on Japanese competition. He said that there was no competition at all from Japan in the Canadian market, but in the course of argument it developed that this evidence applied to yarns only and this is a very different story."

MR. McRUER: Don't you think that the manufacturer of yarns would feel the Japanese competition in his business?

MR. BRUNEAU: As far as we are concerned, it is a different thing altogether. If Mr. Johnson says that the yarn manufacturer is not feeling any competition that does not dispose of the fact that we are feeling competition in certain lines in respect of which we have already given full particulars to the Government. I understand that Mr. Kellock has also presented up to date figures

showing the serious increase of Japanese importations during the sittings of the Commissi n. That is all I have to say on this point of Japanese competition.

The next subject with which we are specially concerned is mentioned in Mr. McRuer's Brief at page --

MR. McRUER: Before you leave the question of yarn, there is a correction to be made, My Lord, in the figures I gave to your lordship as to the purchases of yarn for 1936 and the figure should be 610,112 instead of 634,000. There is a duplication. These are purchases from Courtaulds alone. There have been certain reductions in the tariff since 1936. I do not know whether they are buying any yarns in England or not.

MR. BRUNEAU: Then at page 184 of his Brief, Mr. McRuer deals with the Company's capital. I have already dealt with that to a certain extent inthe course of Mr . McRuer's argument.

The incorporation of the Company took place in 1892. I want to make it clear that we were not preceded by a company known as Canadian Coloured Cotton Mills. This is purely for the purpose of having the facts correctly; it does not make ~~an~~ any difference. It was the same Company from 1892 to date.

THE COMMISSIONER: What page?

MR. BRUNEAU: At page 184 of Mr. McRuer's Brief, at the beginning of the first line. The facts are that:

"Seven companies were purchased by Messrs A.F.

Gault and David Morrice and turned over by them to Canadian Coloured Cotton Mills Limited, the name by which the Company was previously known."

I submit that the evidence is conclusive at that time of a real bargain being driven and there was a clear intention to exclude all water. A different conclusion is drawn by Mr. McRuer at page 184 of his Brief, but I submit:

"Where the current assets of the purchased companies did not reach the value put upon them in the agreements the purchasers were entitled to a return of the difference in bonds, and $240,000.00 of bonds were actually returned to the Company pursuant to this agreement.

Mr. McRuer suggests that because bonds were returned to make these adjustments instead of shares the presumption is that the shares were worthless. There is no evidence to justify any such presumption. The return of bonds was the most natural method, and the easiest. If the shares had been returned for cancellation this would have involved one or morereductions in capital, as shares once issued cannot be cancelled by a Company except by process of reduction of capital as provided by the Companies' Act, and this was the law in 1892 as appears from the Companies Act in the Revised Statutes 1888."

I submit that if we had made these adjustments by cancelling the shares it would have been a very

difficult, indeed an impracticable process.

Mr. McRUER: The point is that the purchase price of the former shares seemed to be the same as the amount of the bondissue. But the bonds were not turned over. So many bonds were returned for the shares not turned over, and the bonds issued relate exactly to the shares that were turned over. It is exactly the same sort of set-up as we had in Dominion Textiles and Penmans.

MR. BRUNEAU: Common stock amounted to $2,600,000, and the bonds to $2,000,000, plus the taking over of $300,000 of Canada Cotton Mills Limited. No such relationship is brought out by the records.

MR. McRUER: It is not our fault.

MR. BRUNEAU: The point was made in the course of Mr. McRuer's argument that the bonds were the only things that were worth anything, but the evidence does not show that. Shares could not be returned without going through the process of reconstruction of capital, and that was quite sufficient reason for conducting the transaction with bonds rather than shares.

Then at page 184 of his Brief Mr. McRuer says:

> "'We are unable from the records to ascertain how much of the common stock that was issued really went to the promoters.' We submit that it would be more correct to state that there is no evidence of any common stock whatsoever having gone to the promoters."

Otherwise they have the full value of the assets turned over by them.

Then at page 185 of My friend's brief the statement ismade, four lines from the figures quoted there that there is no information available "whether or not anyone in the employ of the Company has this knowledge. I think, my lord, that everyone has admitted that we have done our best to provide the Commission with all possible information, and I submit that there is no room for the suggestion that anyone in the Company has this knowledge.

> "No one is alive today who had any position of responsibility in the Company in 1892 and our records for 1892 are not intact, and we do not think anyone should be reproached for not having their records available for half a century back."

Then at page 185 of my friend's Brief we find a reference to a statement by Mr. Howson:

> "That after a study of the Minute Book of Canada Cotton Manufacturing Company Limited, one of the seven companies purchased in 1892, he finds that bonus stock was issued in respect to the acquisition of this Company for $250,000.00 and concludes that probably this was done in respect to the seven other companies.
>
> The assets of Canada Cotton Manufacturing Company were set up on the books at an appraisal figure of $1,050,000.00, and Mr. Howson says:

"that on examining the minute book of the selling company he finds that the shareholders only got $800,000.00."

Well, even if that were so, even if the shareholders had received only $800,000.00, that was only one of seven transactions, and it would be quite possible for some of the other companies to have been acquired for a greater figure than the appraisal value. It is by no means conclusive. But I go further than that. The figures given by Mr. Howson do require some substantial correction. The Minute Book which he examined and refers to as his authority I have with me here, and at pages 226 and 227 it refers to this transaction. It is the Minute Book of Canada Cotton Manufacturing Company, and it shows that the shareholders sell all the assets for $65,000 cash, $100,000 short term notes, Canadian Coloured Cottons Limited, $400,000 of 6% bonds of the new Company, all bearing interest from March 1, 1892. That is $565,000. I quote from the Minute book:

"The purchasers further assume as a consideration the bonds of the selling company for $300,000, which bear interest at 6%."

And on the 1st of March, 1892, there was 5 months interest due, making an additional $7,500. So we see that that item runs to $872,000, instead of the $800,000 mentioned by Mr. Howson. There is the further fact that we did not get these assets for an expenditure of $872,000 only. The Minute Book

goes on to say:

"The purchasers further agree to pay and discharge as the same become due all the debts, promissory notes, bills of exchange and liabilities of every kind of the vendors, and to save the vendors harmless therefrom, and from all liabilities as endorsers or otherwise of promissory notes and bills of exchange discounted by the vendors with any bank, and to pay and discharge the said bonds of the vendors to the amount of $300,000, with all interest still to accrue." The

These debts amounted to a very serious sum because it appears from the last balance sheet of the Company dated October 31st, 1891, that they amount to $474,888.25, exclusive of the interest due on the bonds which I have already mentioned.

MR. McRUER: Yes, but there were current assets against them.

MR. BRUNEAU: We were making a new start when we purchased the company. We took over these assets and the Profit and Loss Account, and we paid approximately $1,350,000 for the assets of this Mill.

There is further evidence that a good bargain must have been driven by Canada Cotton Manufacturing Company, of Cornwall, Ontario, because I see that Donald Smith was their president at the time, and I do not know that he was a gentleman who ever allowed to get the best of him in a bargain. It is just

like when I buy a house; when I buy it I assume the mortgage on the house. If I buy a house for $5,000 cash and assume a mortgage for $5,000, I am putting up $10,000 for my asset that I am acquiring. So I submit, my lord, that as against this item of $250,000 there is no evidence before this Commission that any watering of stock took place or of any promoter's profits made in connection with this transaction, and no evidence that anyone got any stock without adequate consideration. Such evidence as appears in the Minute Book is all the other way. Then at page 186 of Mr. McRuer's Brief he states that the Company was incorporated in 1910. We have already corrected that statement. I say in my Brief:

> "The Company was incorporated in 1892, and what occurred in 1910 was an increase of capital, change of name, and a purely internal re-distribution of the stock."

MR. McRUER: It was a stock bonus.

MR. BRUNEAU: We have already discussed that. I continue in my Brief:

> "We have already discussed the statement on page 186 that $2,000,000 was issued as a bonus for the sale of preferred stock. I understand we are in agreement that there was no stock issued without consideration, but that the transaction was equivalent to the issue of a stock dividend against the surplus of the Company."

As these things are not very mnch understood by the public, my lord, I thought I would like to go into it just a little further. I want to make it quite clear from the figures that there was no watering of stock in 1910. The Company had a capital stock as shown, and so far that is common ground, of $2,700,000; then there was a surplus of undistributed profits of $1,673,387, making a total capital surplus of $4,373,387.00 before this redistribution took place. The Company got a certain amount of new capital in that year. It got new money, $1,000,000 in cash. Then it got the assets of the Mount Royal Spinning Company which it purchased for $550,000 preferred shares, and $715,500 Common Shares, and $1,100,000 Bonds. Leaving out the amount of the bonds, the amount of stock issued against the assets received was therefore $2,265,500.00, and that was either cash or the full equivalent of cash because the statement of 1920 - and all our reports have been filed with the Commission - shows that the Mount Royal Spinning Company was sold in 1920 at a profit. It was sold for $2,372,000.00. So there is no question about the substantial character of the assets obtained for that ~~$2,372,~~ $2,265,500 of ~~the~~ stock that was issued. If we add this to the amount previously on hand we now have a total capital and surplus of $6,638,887 - that is if we just add to our capital the real money that we have taken in, and if we add that there cannot I submit, be any question

of watering of stock being involved.

After re-organization the Company's capital stood as follows:

"Preferred stock..... $3,575,000.00

Common Stock..... 2,715,500.00

Surplus, ... 348,387.00

Total, ... $6,638,887.00."

And that is exactly the amount of the fully paid up capital paid over in real money, or the full equivalent of money, and not a cent of water was designed to go into that organization.

It is clear, therefore, that the Company did not issue common stock which was not fully paid, and yet as your lordship knows, $2,000,000 of common stock was made available for the purposes of the Syndicate in charge of the re-organization, and where did that come from? It was given by the old common shareholders out of their stock and surplus. Mr. Dawson gives that evidence at page 7209. And it was redistributed among those of the shareholders who subscribed new capital to the Company. Of this $2,000,000, $1,325,000 was made available by capitalizing the Company's surplus to that extent. This amount was previously available for the shareholders' dividends. I submit that it is just the same as if it were a savings account of the shareholders, though of course it is under the Directors' control.

When a company wants its shareholders to subscribe to more capital it may do one of two things. It may

either ask the shareholders for payments from their private bank accounts, and give them certificates as evidence that they have paid into the capital stock of the company ~~and~~ the amount mentioned in their certificate, or if the Company has earned a surplus the shareholders can agree to pay the surplus into the capital account of the Company so that it becomes fixed and can no longer be used for paying dividends to the shareholders, and they get certificates just as in the first case, as evidence of the amount they have put into the capital stock of the Company."

Now whether the shareholders pay for these certificates with their private funds or with the savings which the Company has earned for them, in both cases the shares are fully paid in real money.

Take, for instance, a company with $1,000,000 share capital and $1,000,000 surplus. The surplus is retained by the Company and capitalized. The Shareholders are given certificates for that $1,000,000. which has been so retained. No one is richer or poorer by this transaction. Before, the shareholders had $1,000,000 stock and $1,000,000 savings, They now have $2,000,000 stock but no savings. The only change is that the shareholders are now definitely bound to leave the surplus invested in the Company. A stock dividend has been issued and all the shares are paid in full, and the legality of the stock dividend is beyond doubt. It is a transaction that is authorized specifically under Section 83,

paragraph 3, of the Dominion Companies' Act. Companies are encouraged to obtain money in this way if they can get their shareholders to convert their profits into the Company's capital. I just want to make sure that there can be no confusion of terms. While I know what Mr. McRuer means when he says bonus stock, a great many people have the impression that by bonus stock is meant something that is handed out to the shareholders for less than it is worth, that they are getting a gift of some kind. That is not the sense in which the word applies to this transaction and I have therefore preferred to use the words "Stock dividend, " simply to avoid any possibility of confusion and to avoid the impression that there was anything handed out to these shareholders for nothing.

What happened, therefore, in 1910 was that $1,325,000.00 of stock was issued against the surplus, which was reduced to that extent, the amount being turned over to the Company's Capital and the stock fully paid.

MR. McRUER: In regard to that, you do not contend that that surplus, although it is left in the company, ought not to be taken into consideration in considering the profits which the Company has made in the past, just the same as it had been paid out in dividends to the shareholders.

MR. BRUNEAU: It was money which was earned for the shareholders.

MR. McRUER: If they paid it out to the shareholders, and it doubled ~~in~~ the return which the shareholders received it would receive the same consideration. It is not in any superior position.

MR. BRUNEAU: It is in exactly the same position as anybody else's money put in.

THE COMMISSIONER: You said a moment ago that the Company, instead of acting that way, might have taken their profits.

MR. BRUNEAU: Yes. The Company might later have called upon the shareholders to put up money for the capital of the Company, and that would have been perfectly sound capital.

MR. McRUER: Considering the profit which the Company has earned in the past we have to take into consideration that surplus.

MR. BRUNEAU: Yes, if--

MR. McRUER: If they had paid it out --

MR. BRUNEAU: It is money which the Company earned, and for the moment it was capitalized. It was just the same as any other money which the shareholders subscribed at any time.

MR. McRUER: That does not make it any better.

THE COMMISSIONER: It is turned back into the Company. It was profits made out of operations.

MR. McRUER: That is all.

MR. BRUNEAU: That surplus was in no sense consumers' money, according to the theory that has been outlined to this Commission, because we see

that this Company - at page 185 and 186 of my friend's brief - in 19 years had only been able to distribute as dividends an average of 2½% to its shareholders,-

MR. McRUER: That is 2½% on the stock. How much was paid for the stock? We have to know that, I submit.

MR. BRUNEAU: I submit that the full amount of the stock was fully paid for, and there is no evidence to the contrary. It would take a good deal to raise that dividend of 2½% to anything like the 10%, consumers' money, which Mr. McRuer has spoken of some times.

MR. McRUER: The bulk of the common stock was issued to the promoters.

MR. BRUNEAU: There is not a tittle of evidence to that effect.

MR. McRUER: Oh yes, there is.

MR. BRUNEAU: The surplus so distributed among the shareholders was the equivalent of another 2½%. It was all fairly earned, and even under the theory advanced by Mr. McRuer it was money to which the Shareholders were fully entitled without any criticism being possible unless he can demonstrate that that capital was issued without consideration.

The balance of the $2,000,000 - $675,000 was obtained as follows: Shareholders who had paid up $2,700,000.00 for their common stock, which was paid in full, turned this over to the Syndicate in charge of re-organization for $2,025,000.00; preferred stock on a basis of 3 preferred shares for

4 common, and $675,000.00 of fully-paid stock was accordingly available in the hands of the Syndicate for the purposes of the redistribution.

The Shareholders' bargain with the Syndicate was that the $2,000,000 of stock so available was to be distributed by the Syndicate to the subscribers for new stock in proportion to their subscription, and Mr. Dawson's evidence is that all shareholders were given equal opportunity to subscribe.

Even the old Shareholders who did not subscribe were getting something ~~betwee-~~ better than they had before because they were entitled to get 6% on three-quarters of their former holdings. They had got 2½% over 19 years, and had only in one year been paid as high as 4½%. They were now in a secured position for 4½%, provided that the Company was able to earn this amount. Thus all the shareholders who desired to subscribe to the new stock and to invest in the future of the Company were entitled to subscribe to the Syndicate on an equal footing, and Mr. Dawson's evidence is that many of them did so; in fact, the Company's Minute Book is available to show that the majority did so.

The Syndicate only paid its $1,000,000 for Preferred Stock and only received new stock to the extent that this was not subscribed by the Shareholders themselves.

The 1910 re-organization was, therefore, a purely internal re-arrangement of the capital structure

the clear purpose ofwhich was to induce the shareholders to subscribe $1,000,000 to the funds of the Company. Even the non-subscribers got a preferred position in theCompany, but gave up some of the Common Shares they could have obtained to the subscribers.

It was not a stock market operation. Not a cent of commission was paid, and not a cent of water was introduced into the Company. I think it is significant that in 45 years this was the only alteration ever made in the capital structure of the Company, and that a purely internal change, which, according to Mr. Dawson's evidence, was required by the Company's bankers. I think that is fairly cogent evidence that the people who dealt with the matter in 1910 in this way were not likely in 1892 to be treating the transaction in any different matter.

(Page 18370 follows)

To see how that worked out for the individual shareholder this helps perhsp to understand it even a little more, even a little better. I have looked at the list of shareholders which is published at page 209 of the Company's minute book, the shareholders who attend the meeting with the shares of stock they hold, and taking the first name that has round figures it is that of Senator Beique who had owned 300 shares previous to the re-organization. Now, if each of the old shareholders of the $2,700,000 was entitled to subscribe for the $1,000,000, new stock, as is the evidence, then each shareholder was entitled to subscribe to the extent of 37% of his shares, 27 into $2,700,000 --- into $1,000,000 is exactly 37%. It is exactly 37% of $999,000. So that each shareholder one would expect to find entitled to subscribe to 37% of the shares. Now, we find that Senator Beique took up his subscription because he is shown on page 290 as having now - he is shown on page 182 as having his 300 shares the meeting before. At page 290 he is shown as having 336 preferred; that is to say the 300 shares he formerly held gave him 225 preferred, three for four, and he subscribed to 37% of 300, that is 111, making 336, and he is shown as a common shareholder now with 222 shares being two for one that went with his subscription of preferred. In order to see further the effect of this and observe the true benefit to the individual shareholder take the same case, Senator Beique, who had 300 shares, and who subscribed

for 111. Well now, as we have seen he was in effect receiving his share of a stock dividend of $1,325,000 on a capitalization of $2,700,000 and that amounts to just about exactly 49%. On the basis of that stock dividend he would have been entitled to get 147 shares fully paid up if the company had simply issued a stock dividend for that amount. Now, he had 300. He subscribed for 111 which he paid for in full and he gets a fully paid stock dividend of 147 which makes a total of 558, and that is exactly what he has, 336 preferred and 222 common.

So the point I wish to make was that in 1910, call it what you wish as long as we understand the meaning of terms, there were no shares issued without full consideration as required by the Companies Act of the Dominion of Canada.

On page 188 of Mr. McRuer's brief we see that the original investment is spoken of,-that is, the 1910 investment is spoken of as $3,930,000, and that figure is reached by taking the capital stock of the company, deducting the amount of $1,325,000 as being bonus stock although I see no reason now for making that deduction, deducting a further amount of $250,000 for alleged inflation of assets taken over from the Canadian Cotton Manufacturing Company, another item which I submit should be restored in order to get a correct view of the company, and finally $871,000 has been taken off because of losses made by the company on disposal

of some of the mills it took over in 1892. I think the company took over seven mills, two of which were referred to as the Merritton and Lybster Mills, both located at Merritton. Is Merritton in Ontario?

MR. HOOPER: Yes.

MR. BRUNEAU: These were set up on its books at their appraisal value of $400,000 and $200,000 and another mill, theDundas, at $300,000. These were the three mills which disappeared and Mr. Howson suggested the company made a loss of $871,000 when it disposed of those mills and that the amount of its capital investment should therefore be reduced by this figure. Well now, there again the minute book of the company is available, and was the source from which the information has been obtained, and you see that when the story is related in full it is just a little different. In 1906 when the Merritton mills were closed no particular loss was, in fact, involved. At page 32 of the company's minute book we see that the company had the opportunity of acquiring a mill presently known as the Dundas mill at Cornwall, one of the group of three mills which your lordship investigated at Cornwall, close to the two other mills which it then had, including water power at the head of the canal, and that the benefits of consolidating its business were so apparent that the Dundas mill was purchased at what was stated -- page 32 of the minute books -- to be a comparatively low value, namely $50,000. So they were getting one mill in order to consolidate their

plants at $50,000. They were getting one empty shell at that figure, and on page 43 we see they spent $89,500 on plant, and on the removal of machinery from Meriton to Cornwall, to set up the whole plant at Cornwall. Now, at page 70 we see the Merriton mill sold for $60,000, but there is a side entry in red ink on the side, "sale void, cheque no good." I take it that must have been made good subsequently, but what one sees from these entries is that we obtained an empty shell in Cornwall. We moved our Meriton business into it and we sold the empty building resulting at Meriton for substantially what it had cost to buy the empty building in Cornwall. We submit that on such a transaction there is no ground for saying that the Shareholders must cease to earn money on their investment or that the company suffered a loss at all.

MR. McRUER: Have you the page of Mr. Howson's evidence that you criticize. I would like to see just what he said on this. He is not here.

MR. BRUNEAU: There is the $371,000 which is made up bytaking --

MR. McRUER: He must have been examined on it in the evidence.

MR. BRUNEAU: I was not present when he was examined on it.

MR. McRUER: Because if you criticize his figures I am surprised if he was not cross-examined on it.

MR. BRUNEAU: It was obtained from the minute

book. I am just saying there are other things -- as I look over the minute books I see other things happening. If you isolate that, if you take that small figure we obtained for the Meriton mill alone it is true.

MR. McRUER: Didn't they write it off in their books?

MR. BRUNEAU: It is what you do after all. I am not so much concerned with their bookkeeping methods--

MR. McRUER: Bookkeeping has something to do with it.

MR. BRUNEAU: At the same time the facts have to be faced. If you get an empty shell which you can buy up cheap and simply move all your plant into it and with evident advantages resulting to you in consolidation of business and so on, as is quite apparent, and then they simply get rid of the other shell that is left on their hands at substantially the same price as the new one you have got you have not really suffered very much of a loss.

MR. McRUER: But if you write off the difference in your books you cannot expect, can you, to carry it? I don't know how this is treated by Mr. Howson. Maybe you didn't, I don't know.

MR. BRUNEAU: I should be glad to know why the shareholders ought as a result to cease to earn money on part of their investment because no capital was returned to the shareholders when these mills were sold.

MR. McRUER: Of course not, they lost some.

MR. BRUNEAU: Even if a loss had been made on any one mill I further submit the Company must be considered as a unit. It was not seven separate enterprises, but one whole enterprise, and an isolated loss in one part of its enterprise is not -- I submit it does not entitle anyone to claim that its capital ought to be reduced as a result. If that was so then every time the company entered into a losing transaction the capital would be deemed lost and then, of course, if the company was in business long naturally the capital would finally wear down to nothing.

In any event, the situation by 1910, when the present capital structure of the company was determined, was that any such losses had been made up and that a surplus was shown. I therefore submit that these particular items of $1,325,000, $250,000 and $871,000 ought not to have been deducted from the company's capital for any statistical purposes and should be restored to it.

Now, we come to the company's profits.

THE COMMISSIONER: What do you say, Mr. Bruneau? We have been accustomed to taking ten or fifteen minutes off at this time. Since this is Friday I suppose you would like to get back to Montreal. In that case we will sit right through to half past four without adjourning now.

MR. BRUNEAU: Yes, if your lordship is satisfied.

THE COMMISSIONER: Oh yes.

MR. BRUNEAU: At page 188 it is stated -- where this figure of $3,930,000 comes into play -- it is stated that the company has earned for the shareholders a total of $24,000,000.00 since 1892 upon a capitalization of $3,930,000, and that works out at an annual average of 14%. There are certain corrections I wish to make, and at the end of our brief I have showed the capital employed in the business in each year and the annual earnings as calculated by Mr. Brown in accordance with the corrections I have made. I think Mr. Brown's calculations in other respects have been found satisfactory by the Commission's experts, and it is calculated in what I submit is the normal way in which business men, and in which the public expects business men to figure their profits. Our profits over 45 years from 1892 have average 4.95% and not 14%. That is profits on money invested in the business. The first reason for the difference between the two figures is that Mr. Brown has included bonds as part of the capital invested in the Company. We are back to this old question that has been discussed here before. Mr. Brown has agreed with the stand I understand your lordship has taken, and has included bonds as part of the capital invested in the Company. That is really not very material from our point of view because the bond interest was 5%, and on the whole it has been just a trifle higher than the profits earned by the rest of the capital, but it does make a difference

to the figure of 14% which results from the calculations made on page 188 of the brief.

THE COMMISSIONER: I understand you are setting all this out in your own brief at page 42.

MR. BRUNEAU: Yes, my lord, there is a table at the end of it.

MR. McRUER: 41 and 42.

MR. BRUNEAU: The percentage is mentioned -- it is 41 and 42, capital employed.

MR. McRUER: Do you take into account the inventory reserve in this?

MR. BRUNEAU: Mr. Brown included the inventory reserve at the rate figured by the government because they were in question. They had been mentioned and in order not to disagree with the government figures so that we would know where we were we have included them in these figures, but I do not wish to be understood by including them in these figures as admitting in principle that they have really been earned. But even including those inventory discounts or adjustments that only brings our profit to 4.95%.

MR. McRUER: Page 43, are they included in that?

MR. BRUNEAU: 43?

THE COMMISSIONER: There isn't any 43.

MR. BRUNEAU: There is no 43.

MR. McRUER: 42.

MR. BRUNEAU: Yes, they are included in that. They have been written back for the purposes of this statement and only for the purpose of this statement.

I will point out the differences between the two so that your lordship will be in a position to judge which of these is satisfactory to the Commission and which may not be. We have assumed that for the purposes of the inquiry the relevant figure was the return earned by the total money invested in the industry. We included bonds because we thought they represented capital invested in the industry at a low rate in exchange for high security, and because for the purpose for which the figures can be useful there would be no reason, for instance, for leaving out bonds and leaving in preferred stock. Of course I quite realize that bonds are not share capital of the company, and if the purpose is to find out what the shareholders have earned then of course they will be left out, but if the purpose is to find out what the whole money which the business needs has earned then of course they will be left in. It all depends what one wants to find out from the figures.

MR. McRUER: Of course, the $2,700,000 is what I quarrel with. I don't quarrel with your computation taking bonds in as capital.

MR. BRUNEAU: Instead of taking in the figure of $3,930,000 I have taken in our full capital stock for the reasons I have indicated. Mr. Howson has left out of consideration the accumulated surplus, that is, if you take this statment on page 188. Perhaps I should rather not say Mr. Howson, but Mr. McRuer has left out in making the calculation at page

188 the accumulated surplus which has been used in the business, invested in machinery, equipment, buildings and material, although Mr. Howson does refer to it in his exhibit 917.

MR. McRUER: But you see I say the original investment. I am not talking about capital on page 188.

MR. BRUNEAU: For the purposes of ascertaining it depends what one wants to find out.

MR. McRUER: There are different ways of looking at it.

MR. BRUNEAU: One may want to find out what protection the company needs. Then I think it is relevant to find out what is the total money which is invested in this business, and the accumulated surplus I submit to be relevant. I have already pointed out that if the company each year distributed all its surplus to the shareholders -- it would be entitled to do that, but it would soon be in need of ready money, and it would have to ask for subscriptions, and then everyone admits these subscriptions would be capital so if the company retains the surplus and uses it for its operations I cannot see just where is the difference.

It has already been shown, I think, that the part of the surplus which is definitely capitalized is clearly part of the company's capital, and for the purposes of this inquiry to find out how much money and plant and machines are earning then the remainder of the accumulated surplus, I submit, must

surely be taken into account. Take a new company, for instance, starting without any accumulated surplus. It has machines, it has equipment to buy and if the new company was starting without any such surplus and having to buy the same things as the company that has the surplus, it would have to have the same equipment and it would require capital approximately the same as the capital and surplus of the company that carries a surplus.

MR. McRUER: Do you contend the tariff ought to be designed so that even if the company has been built up and able to get strong by the tariff that it has to still go on indefinitely paying a dividend on its own strength.

MR. BRUNEAU: I don't think I cam called on to go into the question of tariff because I am not representing the industry as a whole. I am just giving at this stage what is the relevant figure which might be useful for the purposes of such an inquiry, and I don't think that it is for me to express my tariff views. I am quite content to leave that to the gentlemen who have ably represented the industry. Accumulated surplus, for instance, was considered by the Business Profits War Tax Act as part of a company's capital on which it was allowed a 7% exemption before being assessed for profits.

MR. McRUER: That applied to any business irrespective of whether they were tariff protected or not.

MR. BRUNEAU: Yes. It was apparently a sound

general rule.

MR. McRUER: I don't quarrel with that except as to this aspect, in respect to the sufficiency of tariff protection to-day.

MR. BRUNEAU: As I understood it the contention was accumulated surpluses should not be taken into account.

MR. McRUER: I never conted that. My brief is as clear as I can be on that.

MR. BRUNEAU: I understood from the argument that any profits over 10% belonged to the consumers.

MR. McRUER: That is another statement I never made. I never made such a statement. You surely have not followed it or you would know that.

MR. BRUNEAU: That is what I clearly understood.

MR. McRUER: No, read the record.

MR. BRUNEAU: Perhaps I did not understand it right.

MR. McRUER: Read the record. I have heard so many mis-statements of what I have said that I am sick and tired of it. I have even heard statements that have been made about Mr. Howson in this inquiry that have been so loose and so false --

MR. BRUNEAU: I am very glad to have your statement.

MR. McRUER: A Cabinet Minister even said to me was it true that Mr. Howson reckoned net profits before taking off depreciation as was stated in the newspapers.

MR. BRUNEAU: You cannot always believe the

newspapers.

MR. McRUER: When you see things that are not said --

MR. BRUNEAU: What was it exactly? I understood that the amount of profit which was made over 10% belonged to the consumer.

THE COMMISSIONER: Mr. McRuer was talking of how the industry should be looked after from the point of view of tariff protection. You are looking at the industry from a very different point of view.

MR. BRUNEAU: That was all I mentioned, as to what I understood.

MR. McRUER: I said take 10% for an illustration. I specifically said I am not making any statement as to whether it is a fair profit or not, but if it is a fair profit and a man takes 5% out and leaves 5% in then in fairness he is entitled to earn on that 5% he has left in. That was my precise statement, but I was only using it as an illustration and I said nothing that could be, by the fondest stretch of the imagination, that could be understood that anything over 10% -- that had anything to do with profits over 10%.

MR. BRUNEAU: In any event, as far as we are concerned I submit the question does not really affect our figures because we have never made -- we have not made any such average as 10%;

The third difference between the two calculations arises from the deductions from capital stock. We have seen all about bonds and accumulated surplus,

and the third is deductions from capital stock made by Mr. Howson which have already been fully discussed, and I have stated if Mr. Howson's method is correct every time a company makes an isolated loss that loss should be charged to its capital and the capital reduced accordingly, and in that way every business would naturally dwindle to nothing.

MR. McKULLAR: No;if you lose something that has been capitalized and you have disposed of it can you claim an earning on capital that isn't there? Supposing you have a million dollar plant and it is wiped out, and you have a total loss on it. Can you say you ought to be entitled to earn -- that the tariff protection ought to give you an earning on such a loss?

MR. BRUNEAU: In this case these things did not disappear, but the plant, machines and equipment were all removed to other mills and used, and the empty shells were disposed of and other empty shells acquired. The fourth difference is that Mr. Howson has added $9,000,000 to the present assets of the company which he finds are undervalued by that amount, and we have already heard from the other companies in this connection, and it will not be necessary for me to go into it at any length. He takes a fire insurance appraisal of approximately $13,000,000.00 which is based on replacement values and claims that this is the true value of the company's plant to the shareholders. It is carried on the books at approx-

imately $4,000,000.00 after making the legal and customary allowance for depreciation.

The appraisal value is simply, as I understand it, is simply a preliminary estimate of what might be claimed in the event of total destruction of the mills, what might be claimed as the cost of reproduction or replacement in the event of the total destruction of the mills.

MR. McRUER: No, no, that is not what this appraisal shows at all. It says it is the value of the plant and then they deduct depreciation from it.

MR. BRUNEAU: Why do insurance companies make it.

THE COMMISSIONER: Have we that appraisal in evidence?

MR. McRUER: It is the same as Dominion Textile appraisal.

MR. BRUNEAU: It is not the figures I am objecting to. It is the principle, because in order that any such amount should be available for the shareholders-- it is stated on page 188 that the amount of $24,000,000 has been earned for the shareholders and in other places this amount in exhibit 917 is spoken of as available for the shareholders. Now, it is available with certain very serious restrictions.

MR. McRUER: There is no doubt about that.

MR. BRUNEAU: In order that any such amount should be available for the shareholders there would have to be seven simultaneous fires in all the mills of the company, and then the shareholders would

presently get their money, but would they get it even then. It is very unlikely. The total destruction of the mills which, of course, is very theoretical, so theoretical as to be practically impossible, would result in an unemployment situation, and even if the shareholders were disposed to go out of business and divide the loot among themselves they could not do it. Pressure would inevitably be brought to bear upon them to rebuild, even if one mill was destroyed, and to leave this money in the company, and their replacement value -- I don't think anyone would make much money out of that operation. There are really no circumstances under which this money can be made available for the shareholders so I think exhibit 917 it is rather -- at any rate we cannot say it is money which is available for the shareholders.

MR. McRUER: Where is there anything in 917 which says anything of the kind?

MR. BRUNEAU: Net revenues available for shareholders.

MR. McRUER: Page 3, undistributed surplus available, approximate surplus in fixed asset values over book value as per insurance appraisal as a result of excessive depreciation and repair charges to operations; It doesn't say anything about being available to shareholders.

MR. BRUNEAU: There is the total shown here of $15,360,000.

MR. McRUER: Approximate surplus. I think you confuse it.

MR. BRUNEAU: Approximate total of cash returns and undistributed equities from operations. We are told, at any rate -- perhaps the word "available" isn't there.

MR. McRUER: What you have confused is the two lines. There is one line dealing with the undistributed surplus of $5,782,000 and the other line that deals with the nine million dollar item. You just got them confused in your language; that is all.

MR. BRUNEAU: We will take the phrase then "earned for the shareholders", but it has not been earned for shareholders.

MR. McRUER: It doesn't say that at all.

MR. BRUNEAU: It says that at page 188 of the brief in the fifth line.

MR. McRUER: That is my langgage. I will take the responsibility for that.

MR. BRUNEAU: Yes, and I claim that that money has not only been earned for the shareholders; it has been earned for all persons who are interested in the company, and as far as the shareholders are concerned there are no circumstances at all under which they can ever get anything like that. Take the Cornwall Mill of the Cornwall & York Cotton Company, our only subsidiary, which was insured for $173,000. It was carried on the books of the company at $106,000. It was sold for $10,000.00 That shows just what those mills are worth to the shareholders in any individual case.

THE COMMISSIONER: When was it sold for ten thousand?

MR. BRUNEAU: That was comparatively recently, about two years ago. It was sold about two or three years ago, The Cornwall & York Cotton Mill of the company at St. John.

THE COMMISSIONER: Sold with the machinery?

MR. BRUNEAU: No, the building; the building was insured for $173,544.

THE COMMISSIONER: When the machinery was in it?

MR. BRUNEAU: No, independent of the machinery.

MR. McRUER: How many mills has this company closed?

MR. BRUNEAU: In all since 1892 -- of course, they were fortunate with the mill at St. John because it was taken by some -- I think it was floor manufacturing company.

MR. McRUER: It was not manufacturing cotton.

MR. BRUNEAU: No.

MR. McRUER: How many in the process of cotton?

MR. BRUNEAU: Since 1892 it has closed four units in all, and, of course, it has re-opened -- it has opened a mill like the Dundas mill at Cornwall which is much more substantial than the little comparatively minor enterprises it was closing.

MR. McRUER: That would be a net of three.

MR. BRUNEAU: It really is better than a net of three because the ones it has closed are small, have been small units.

MR. McRUER: I see.

MR. BRUNEAU: So that I claim that the mills, in fact, would not bring to the shareholders any such

sum as even the depreciated value of $4,000,000 if they had to be sold to-day and therefore that this $9,000,000 has not to-day been earned for the shareholders. If it has they should be entttled to have it divided among them. But suppose that the company did divide this mythical surplus among its shareholders by obtaining, for instance, a loan from its bankers, if that were possible, and paying a dividend of $9,000,000. What would be the position of the directors who would recognize such a sum as earned for the shareholders and who would pay it out as dividends. I would hesitate as an attorney to advise them to do that. I would not like to be one of them. I would prefer to resign from the board before any such operation was attempted. I submit they would be fairly charged with having impaired the capital of the company by wrongful payment of dividends. However, I take it no bank would ever advance money for such a purpose. If the shareholders could not get their money that way suppose that new stock was issued to the shareholders against this mythical surplus. What sort of stock would that be? I am inclined to say it might be described as sub-bonus stock.

MR. McRUER: Dominion Textile did that.

MR. BRUNEAU: I don't know that they did exactly that. I am sure if we did that on our present figures anybody who got that stock would consider it both watered and poisonous.

Now, we have seen under the Business Profits War Tax Act an exemption of 7% on part of the accumulated surplus is allowed, and if Mr. Howson's valuations are accepted by the government and if this principle is recognized that we can value on appraisal values when the time comes to deal with the claim against our company under the Business Profits War Tax Act then our exemption will be a very large exemption, and our claim for a refund will, I think, more than swallow up any claim the Government might have to make in connection with the valuation of inventories.

MR. McRUER: But your profits would be increased accordingly. You cannot have it both ways, if it has been earned out of profits on built up capital.

MR. BRUNEAU: It was earned out of profits. That amount was earned before the tax came. I don't think the ~~benef~~ government would give us the benefit of those theories.

MR. McRUER: You cannot have it both ways anyway.

MR. BRUNEAU: I don't adopt them because I think it clear that the shareholders have not got any such asset, but if any such theory is going to be adopted then I certainly am going to claim to be entitled to the benefits of such valuations whenever they come our way. Then, in the fifth place Mr. Howson includes in his figure of $24,000,000 increase value added to our inventory of over two million dollars. That is the adjustment of the inventory and that certainly is not yet earned by

the shareholders, but as that was under question Mr. Brown has included it for the time being in his figures as well although we do not admit that these figures should be taken -- that these inventory adjustments should be taken into consideration. What Mr. Howson has failed to do is to include it in the capital employed by the company in its business for the purpose of ascertaining the percentage the company has earned on the money invested in the enterprise, and I submit we are entitled to do that at any rate, and Mr. Brown has done that in his figures.

MR. McRUER: You have to calculate your profits accordingly. That is fair enough; if you take it into profits you have got to add it to capital.

MR. BRUNEAU: After we have made those corrections those are the only differences. The differences which I have outlined are the only ones which reduce our profit, our average profits from 14% as would appear from page 188, although the calculation is not made, but that is what it works out to, and with the corrections I have indicated which are, I submit, reasonable the percentage is reduced to 4.95%, which is somewhat more in keeping with what one expects from the textile business when one knows it has not always been such a tremendous money maker as is sometimes suggested. Now, that leads me to exhibit 917 prepared by Mr. Howson and on the whole it is a remarkably accurate and careful exhibit, but in

connection with these corrections I just have to make some slight indications of the exceptions I take to it. The first five pages apply to our company because I understand we were the first company whose figures were submitted to the commission.

MR. McRUER: No, you begin with "C"; that is the reason you come first. We didn't have any As or Bs.

MR. BRUNEAU: It is just like in the army where I used to get all the fatigue duty because my name began with B. That was perhaps why we got so much investigation --

MR. McRUER: You see, I am down in the Ms. That is the reason I got fat. I didn't have enough to do.

MR. BRUNEAU: On page one the statement appears to be in order subject to an adjustment to the inventory figures which is corrected by-- is Mr. Shepard a partner of Mr. Howson?

MR. McRUER: Yes.

MR. BRUNEAU: With Mr. Shepard Mr. Brown went over this and made certain adjustments so that --

MR. McRUER: Yes, that is quite right.

MR. BRUNEAU: Inventory adjustments; I have the correct figures here.

MR. McRUER: They are filed, as a matter of fact.

MR. BRUNEAU: Oh, are they filed? So that calls for some adjustment of the third line, and, of course--

THE COMMISSIONER: Where will these adjustments be found? Is it in a particular exhibit?

MR.McRUER: Yes, my lord. I will have it looked up between now and Monday.

THE COMMISSIONER: It should be changed then.

MR. McRUER: Yes. This was according to Mr. Brown's first statement and then he checked it over and found there were alterations to be made and he and Mr. Shepard got together and they agreed on a figure. When Mr. Howson is here I will get it. He knows the correct one.

MR. BRUNEAU: At any rate, those are subject to correction, in any event, on the basis of what the government now claims and besides which naturally I do not accept these figures because it seems to me therex are some further principles which have been overlooked, and that may require correction.

MR. McRUER: I think I refer to that in my brief, my lord.

MR. BRUNEAU: The figures in the brief, the figures given in the brief are not the ones now.

THE COMMISSIONER: Mr. Whiteley will see that this page is corrected.

MR. McRUER: Yes, do that, Mr. Whiteley.

MR. BRUNEAU: However, I do not wish to state that I accept these figures.

THE COMMISSIONER: No, no, I understand perfectly.

MR.BRUNEAU: Now, on page 2, the same thing applies to page two, too, inventory reserve which is added in the various years.

THE COMMISSIONER: You do not agree to that?

MR. BRUNEAU: Well, these are the old figures.

These are the first figures so there would be some correction. I don't know whether anything will be done with this particular table, but if it is required to work out any figures from it I suppose those additions would be in order. Then, of course, page two includes the item -- you will see, my lord, it is the seventh ~~last~~ line, "less inflation in initial values of plants taken over(traced)", and that line appears again as the last line, and that is what I have submitted to the court should be restored to our capital, but those are the only two items in which I have seen any reason to disagree with these first two pages for the reasons I have indicated. Now, on page three, we dispute the deductions of $1,325,000 and $1,121,000, and we dispute the approximate surplus in the fixed asset values.

THE COMMISSIONER: What do you say you dispute on page three?

MR. BRUNEAU: On page three we dispute those two deductions that are made of $1,325,000 and $1,121,000, and ~~seeon~~ consequently the value of the assets in cash or kind received by the company, and the undistributed surplus is larger than the amount shown on page two. The undistributed surplus available for shareholders is here spoken of as $5,782,000. It is reached by taking the total capital shown on page two and deducting from it assets in cash or kind received by the company, and the difference is exactly $5,782,000. What that adds in is a contingent reserve of some two hundred

thousand dollars, the inventory reserve at the old figures, and it includes in the surplus available for shareholders the $1,325,000 which has already been capitalized in 1910 and which is not available to the shareholders as they had their shares already, and have had them for 27 years.

MR. McRUER: No, but you see Mr. Howson expunged it one place.

MR. BRUNEAU: I just want to make it clear that item is taken into consideration in fixing that amount of $5,782,000 , so that the term -- that is where the term "available for shareholders" is used -- undistributed surplus available for shareholders, it adds in those three items of $1,325,000, the inventory reserve on the old figures which was calculated as at $2,277,000, plus a contingent reserve of just over $200,000, which is mentioned on page two. Then, of course, we dispute the approximate total of cash returns at $24,000,000 for the reasons which I have indicated. Then, on page four we have objected to the inflation in book values for the mills there mentioned, and to the last figure of $9,000,000, approximate surplus in fixed asset values. I have not been able to add up -- I have traced these differences more or less by myself and I have not been able to quite square out the depreciation. Apparently it is approximately that amount but I would not wish to be understood as absolutely approving it, but I do not wish to question it for the purpose of this Commission.

The depreciation includes the amount of $545,000 charged to the Mount Royal Spinning Company. The amount of the depreciation is actually greater by $545,000 than the amount shown presently on our books, and I find that includes -- that amount of $545,000 is the amount of depreciation which had been taken on the Mount Royal Spinning Company before it was sold. Of course we deny on that page that there was any excessive depreciation. It is spoken of as excessive depreciation. We claim we have taken only what the government has allowed us to take.

Then, finally on page 5 of 917 there are some corrections required for inventory reserve subject to my objection as to the entire principle, and the operating profit for all those years includes the profit and loss accounts standing on the books, March 31, 1892, when the company began business, which is shown that was not earned in those particular years.

MR. McRUER: How much would it amount to, do you know?

MR. BRUNEAU: A matter of $357,000. They are not really very vital differences. Then, profit or loss on investment. We lost under profit or loss on investment -- that is about the ninth figure -- we lost $110,203.30 on Dominion of Canada bonds which the company invested in during the War along with other companies, which it was obliged to sell in 1921 when it needed money in the slump of that year and it had sold them at a loss of $110,000, and that has been reduced by crediting the profit and loss account of

the Gibson Mill which we acquired in 1910 in Marysville, and that profit and loss account was not, of course, earned by this company. There is a profit and loss account of the Gibson mill when we took it over of $70,625 which was earned by other people whom we did not represent when they were making that small profit. So that the net revenues available for shareholders should be reduced by the amount of $357,576.03.

THE COMMISSIONER: How much?

MR.BRUNEAU: $357,576.03. The profit and loss account of the Gibson mill, $70,625.08.

THE COMMISSIONER: How much?

MR. BRUNEAU: $70,625.08 and the difference in the inventory calculations which I am instructed amount to $249,580.69.

THE COMMISSIONER: What is that?

MR. BRUNEAU: $249,580.

THE COMMISSIONER: What is it called?

MR. BRUNEAU: Inventory reserve reversed Mr. Howson calls it. Of course, later on you will see where we still object to the term reserve in that connection. Those three items may, I submit, fairly be struck from the items, net revenues available for shareholders and surplus revenues.

MR. McRUER: That would reduce the eleven million dollar item by that much.

MR. BRUNEAU: It would reduce -- these are earned in different years. It would reduce the

eleven million dollar item by $542,000 and the fifteen million item by $677,000.

MR. McRUER: Yes. The other may be partially in the ten year period and partially out of it.

MR. BRUNEAU: It is divided into two periods, and the inventory discounts are $114,000 in the first period and $135,000 in the second so that the $135,000 is the only figure which carries into the second period. The rest are all in the first. Then, as I have said depreciation differs from our figures in our books by that amount of $545,000 which I find was depreciation that had been taken on the Mount Royal Spinning Company. As that statement 917 has been referred to frequently I thought I would indicate just what our differences are.

MR. CAMPBELL: My lord, do I understand you will take some other branch of the inquiry on Monday morning?

THE COMMISSIONER: I want to see Mr. Beauregard about that. I may not sit Monday till the afternoon.

MR. CAMPBELL: We will continue on Tuesday?

MR. McRUER: Yes.

-- The Commission adjourned at 4.30 p.m. to resume at 10.30 a.m. (tentatively) on March 15, 1937.